Austria Sch22 · Indonesia Rp3100 · Portugal Esc120 · Bahrain Din0.650 · Israel IS3.50 · S.Arabia Rs7.00 · Belgium BFr48 · Italy L1700 · Singapore S$4.10 · Canada C$1.00 · Japan Y160 · Spain Pta145 · Cyprus C£0.90 · Jordan Fils500 · Sri Lanka Rup30 · Denmark DKr10.50 · Kuwait Fils500 · Sweden SKr9.00 · Egypt E£2.25 · Lebanon $L125.00 · Switz SFr2.30 · Finland Fmk7.00 · Lux LFr48 · Taiwan NT$65 · France FFr6.50 · Malaysia Ringgit4.25 · Thailand Bt50 · Germany DM2.20 · Mexico Peso900 · Tunisia Din0.800 · Greece Dr120 · Morocco Dh6.00 · Turkey L600 · Hong Kong HK$12 · Neth Fl3.00 · UAE Dh6.50 · India Rup15 · Norway NKr10.00 · USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,522 · Monday April 25 1988 · D 8523 A

The last stronghold of the cowboys gives in to gold, Page 19

World News | Business Summary

Lawson maintains his stance on sterling

Nigel Lawson, UK Chancellor of the Exchequer, underlined his opposition to a further appreciation of sterling and delivered a gentle, though unambiguous, rebuke to Mrs Margaret Thatcher, the Prime Minister, for her public comments six weeks ago about exchange rate policy. Page 4

Gendarmes freed

Eleven of the 27 paramilitary policemen taken hostage three days ago in the French South Pacific territory of New Caledonia were freed, André Giraud, French Defence Minister said. Earlier story, Page 2

Alitalia flights to be hit

Alitalia, the Italian airline, cancelled most morning international flights from today to Thursday because of a planned pilots' strike over conditions governing payment during labour disputes. A 24-hour strike for pilots of long-haul Boeing 747 aircraft has been called for Friday.

Eight die in air crash

Eight people died and two were injured when a plane carrying parachutists crashed near the northern French town of Lens.

Polish inflation up 45%

Prices in Poland rose by 45 per cent in the first three months of 1988, the state-run radio reported. The country's national economic plan had envisaged 42 per cent inflation for the whole of 1988.

Panama 'war cabinet'

PANAMA'S military-dominated regime is shortly to announce a new cabinet, described by some of its supporters as a "war cabinet", following the resignation of all ministers last week. Page 3

Danes back Nato

About two-thirds of Danish voters back continued membership of the North Atlantic Treaty Organisation, NATO, according to opinion polls. Meanwhile, about 2,000 people marched to a US air base at Zaragoza in northern Spain to demand its removal.

Petrol pump protests

Anti-apartheid activists severed petrol pump hoses at four Royal Dutch/Shell service stations before dawn in the Southern Dutch town of Tilburg.

Soviet economy 'slow'

Soviet economic reforms programme ran into problems last year and things are not likely to improve in the near future, according to US intelligence agencies. Page 3

Cameroonians vote

Voters in the West African state of Cameroon turned out in large numbers to take part in general elections seen as a step towards democracy within the framework of a one-party system.

Gaza rules eased

Israel allowed Palestinians living in the occupied West Bank and Gaza Strip to leave their homes and travel to jobs in Israel for the first time in a week, but has failed to end an Arab business strike. Page 2

Record drugs haul

Spanish police broke their own month-old record for Europe's biggest cocaine haul, seizing 582 kg (1,535 lbs) of the drug, worth $70m, in a bunker on a Costa Brava beach.

Asylum offer 'rejected'

The Singapore Government said Canada had offered asylum to Chia Thye Poh, the island republic's longest-serving political detainee, last year but he had turned it down.

Cellar dweller

A Second World War Soviet army deserter hid for 44 years in the cellar of his wife's home in a Ukrainian farming village, emerging only occasionally at night, a Moscow newspaper reported.

GM shelves US plans to regain share of market

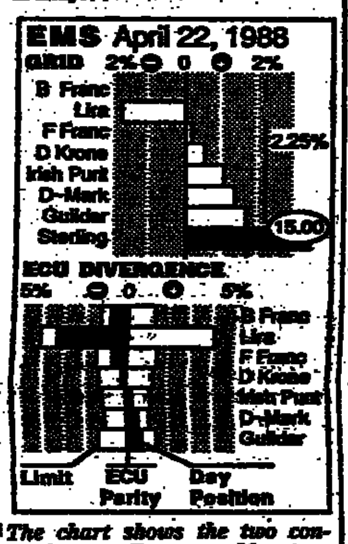
GENERAL MOTORS of the US has shelved plans to recapture the share of the American car market it lost to Japanese makers. In future, GM will aim to maximise its profits and become cost competitive at "roughly current sales levels," instead of seeking to regain the traditional market share of 40 per cent or more which it enjoyed until a few years ago. Page 21

FOUR of Japan's leading store groups reported solid profit increases for the year ended last February, due to the continued domestic consumer spending boom. Page 21

EUROPEAN Monetary System: Political considerations caused nervousness among EMS currencies last week. Sterling remained the focus of attention and there was no strong pressure on the system.

The French franc held fairly steady against the D-Mark, despite yesterday's first round of French presidential elections. There was no obvious intervention by the Bank of France. The Danish krone traded around the middle of the EMS, helped by an opinion poll putting the Conservatives in the lead for the general election on May 10.

At the bottom of the EMS the Italian lira appeared to receive support at times from the Bank of Italy.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (Ecu), itself a basket of European currencies.

STATOIL, Norway's state oil company's financial difficulties have deepened with the announcement that the budget overshoot on the refinery section of the company's Mongstad project has increased by NKr2.8bn to NKr12bn ($1.78bn). Page 24

XEROX, US business products and financial services group, lifted first-quarter net profits 18 per cent from $125m or $1.25 a share to $152m or $1.37. Page 21

DETAILED proposals for developing a common, pan-European system for leasing private telephone lines used by business customers are expected to be completed by a European working party in October. Page 20

UCB GROUP, major Belgian pharmaceuticals and chemicals company, announced pre-tax profits for 1987 of BFr1.779bn ($51m) – broadly in line with 1986 figures. Page 24

COMPAGNIE GENERALE des Eaux, largest water supply company in France, announced increased stakes in Colne Valley and Lee Valley, UK statutory water companies. Page 26

EC is to be urged by foreign ministers of 66 countries in Africa, the Caribbean and the Pacific to intensify economic sanctions against South Africa. Page 3

IKARUS of Hungary, world's biggest producer of buses, is a possible participant in a bid for the state-owned Scottish Transport Group. Page 8

Mitterrand takes firm lead over right-wing rivals

BY IAN DAVIDSON, PAUL BETTS AND GEORGE GRAHAM IN PARIS

MR FRANÇOIS MITTERRAND yesterday established a major lead over his right-wing rivals in the first round of the French Presidential elections, with a vote estimated at around 34 per cent.

As the results started to pour in, President Mitterrand appeared on television with an appeal designed to attract the maximum support from centrist voters: "Let us get together," he said, describing his campaign as aimed at progress, social justice and equality of opportunity.

As expected, Mr Jacques Chirac, Prime Minister and leader of the neo-Gaullist RPR party, came second in the poll, and will therefore face Mr Mitterrand in the second round run-off in two weeks' time on May 8.

But Mr Chirac did much less well than the 23-24 per cent he had been expected to poll, with a vote estimated by public opinion poll institutes at under 20 per cent.

By contrast, the major winner in yesterday's first round of voting was Mr Jean-Marie Le Pen, leader of the extremist right-wing National Front, who won a vote estimated by polling institutes at over 14 per cent, significantly higher than had been predicted in any recent published poll.

In Marseille, noted for its heavy concentration of North African immigrants, the National Front claimed to have emerged as the biggest party with 29 per cent of the vote. In Strasbourg Mr Le Pen polled nearly 20 per cent. In the socialist bastion of Lille he polled about 16 per cent, and in the nearby depressed industrial city of Roubaix he secured 24 per cent.

Early official figures published by the Interior Ministry, based on partial returns, gave a slightly higher score for Mr Chirac, at around 20 per cent, and a slightly lower score for Mr Le Pen, at under 14 per cent.

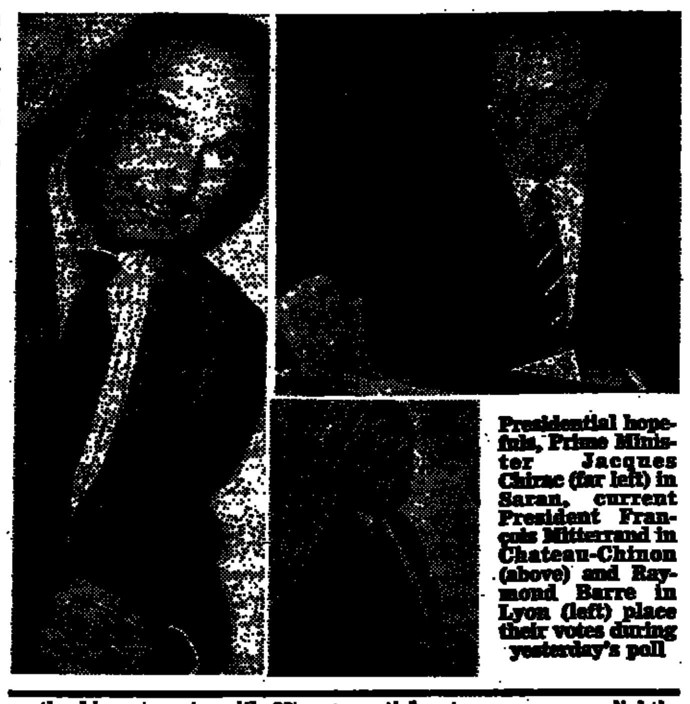
Explanations of the estimated sudden surge in support for Mr Le Pen were last night essentially speculative: some commentators suggested that the outbreak of violence on Friday in New Caledonia, the French Territory in the South Pacific, in which four French gendarmes were killed by militants of the independence movement, may have played into the hands of Mr Le Pen and undermined the claims of Mr Chirac's government to have restored security in France.

But whatever the explanation, the lesson of the voting result is that Mr Chirac will probably have great difficulty in mobilising a majority of voters against Mr Mitterrand in the second round. One spot poll predicted that Mr Mitterrand would secure 54 per cent of the vote in the May 8 run-off.

Mr Raymond Barre, the standard-bearer of the centre-right UDF party grouping, was narrowly pushed into third position behind Mr Chirac, according to polling estimates. Immediately after the polls closed, Mr Barre formally endorsed Mr Chirac for the second round run-off, and publicly called on his supporters to back the Prime Minister against Mr Mitterrand.

But Mr Chirac will be desperately dependent on all the votes of Mr Le Pen if he is to have a chance of winning on May 8. Previous polls have suggested that a significant proportion of Le Pen voters would either abstain in a second round, or might even vote for Mr Mitterrand.

Le Pen 'earthquake', Page 2



Presidential hopefuls, Prime Minister Jacques Chirac (far left) in Saran, current President François Mitterrand in Chateau-Chinon (above) and Raymond Barre in Lyon (left) place their votes during yesterday's poll

US to extend protection in Gulf to neutral shipping

BY LIONEL BARBER IN WASHINGTON AND ANDREW GOWERS IN LONDON

THE REAGAN Administration has decided in principle to broaden the role of the US Navy in the Gulf beyond offering protection to ships flying the American flag.

The planned extension of US protection to neutral merchant shipping – when assistance is requested – is a direct result of last week's air and sea battle in which US forces sank or damaged six Iranian vessels.

However, the shift in policy further creates the impression that Washington is tilting towards Iraq in the Gulf War against Iran, the most regular aggressor against neutral shipping.

Six Iranian gunboats attacked a Liberian-flagged tanker owned by a Saudi Arabian company at the mouth of the Gulf yesterday, only one day after President Reagan warned Tehran it would pay dearly for raids on neutral shipping.

Mr Ali Akbar Velayati, Iran's Foreign Minister, said the US, by its recent actions, had overtly intervened in the Gulf war in favour of Iraq.

The Administration, aware of fears in Congress that the US could be sucked into a war with Iran, is consulting at length with lawmakers.

US officials have also pledged to try to secure more support from the European allies and Japan for protecting freedom of navigation in the Gulf.

France, which has a significant naval presence in and around the area, signalled earlier this year that it was prepared to fire on Iranian gunboats that refused to halt attacks on neutral merchant ships when French vessels came to the rescue.

However, other Western nations including Britain may be reluctant to broaden their role beyond protecting merchant vessels flying their own flag.

Mr David Mellor, UK Minister of State for Foreign Affairs, warned last week that Britain's Armilla patrol in the Gulf was already being stretched to the limit.

Mr Frank Carlucci, US Defence Secretary, said yesterday that final details of the new US naval role had yet to be ironed out.

He confirmed that the Pentagon was considering adding Coast Guard vessels to the US navy presence, which amounts to about 29 warships in and around the Gulf.

Mr Carlucci made clear that policy changes were largely driven by the need to give US forces more flexibility in the rules of engagement – circumstances under which US forces may open fire.

For the past nine months, US warships have been escorting 11 reflagged Kuwaiti oil tankers and other US flag vessels through the Gulf. In that period Iran has mostly shied away from direct attacks on ships under military escort.

However, the policy has had the effect of concentrating Iranian fire on ships belonging to other Gulf states such as Saudi Arabia and the United Arab Emirates.

As a result, Saudi Arabia has been pressing the US to expand its role since last autumn, a request that Mr Carlucci at first refused.

Arafat in Damascus for talks

By Tony Walker in Cairo

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, arrived in Damascus late yesterday for talks with the Syrian leadership aimed at ending a long freeze in relations.

A successful outcome would be likely to strengthen the hands of Arab militants in support of the nearly five-month-old Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip.

It is Mr Arafat's first visit to Syria since he was expelled in 1983 after a row with President Hafez al-Assad. Relations between the two have been icy ever since.

A reconciliation between Mr Assad and Mr Arafat would be highly significant at a time when the PLO is seeking to re-establish a strong presence

Continued on Page 20

Bankers prepare for final talks on capital standards accord

BY DAVID LASCELLES, BANKING EDITOR

INTERNATIONAL banking supervisors will be meeting in Basle this week to try to reach final agreement on their proposed global standards for bank capital.

The officials, who are members of the so-called Cooke Committee, will consider responses made by the major banking countries to proposals which were put forward last December. Their recommendations will be shaped into a fully-fledged accord for approval by the governors of the world's leading central banks in June.

The proposed accord, which was drawn up by the committee under the chairmanship of Mr Peter Cooke of the Bank of England, aims to create an internationally accepted definition of bank capital as well as minimum capital levels for all banks.

The accord was prompted by the growing internationalisation of the banking business, and the need to ensure that banks are soundly constituted and compete on an equal capital footing.

The December proposals were for a two-tier system of capital, with the first tier consisting of equity and disclosed reserves, and the second of hidden reserves, asset revaluation reserves, general loan-loss provisions and other capital instruments.

To encourage banks to build up their equity, supervisors said the amount of capital in tier two could not exceed what was in tier one.

The second part of the accord proposed that banks should bring their capital up to at least 8 per cent of their risk assets by the end of 1992.

Although all the major banking nations are in favour of the plan, several of them have criticised its details. The task of the two-day Basle meeting, which begins on Thursday, will be to decide how many of the objections can be accommodated without jeopardising the overall force of the accord.

Strongest objections are expected to come from West Germany, which believes the definition of capital is too broad. But other objectors will be arguing that it is too narrow, and that more types of capital should be admitted to tier one, including preference shares, property revaluation reserves, and other types of loan-loss reserves. These objectors include the US, Italian and British banks.

However, the indications are that banking officials will concede few changes from the original proposals, which took a whole year to put together and already reflect considerable compromises by several countries.

The fact that the central banks of the US, the UK and Japan, representing the world's three major financial centres, are all content with the accord in its present form suggests that whatever changes are made will be minor.

AT&T system chief will rejoin Olivetti

BY ALAN FRIEDMAN IN MILAN

MR VITTORIO CASSONI, the head of American Telephone & Telegraph's data systems group since 1986, is to become group managing director of Olivetti, the Italian electronics and office equipment company.

The appointment, which is expected to be announced formally this week, is bound to raise eyebrows on both sides of the Atlantic given recent differences between the two companies. AT&T is Olivetti's biggest shareholder with a 22 per cent stake.

It is believed, however, that both AT&T and Olivetti will stress that Mr Cassoni's transfer should not be interpreted as a sign of any further rift.

Mr Cassoni's appointment is intended to strengthen Olivetti's top management. It is also intended to take some of the pressure off Mr Carlo De Benedetti, the Italian entrepreneur at the centre of a protracted battle for control of Belgium's largest company, Société Générale de Belgique.

Mr De Benedetti will retain his title as chief executive, as well as chairman of Olivetti.

Mr Cassoni, a close associate of Mr De Benedetti, has been widely credited in the US for leading the revival in AT&T's computer business. Before going to the US, he was in charge of marketing at Olivetti.

Olivetti's two executive vice-presidents – Mr Vittorio Levi for operations and Mr Elserino Piol for strategy – are likely to remain in place.

A hint at the Cassoni move came last Wednesday from Mr Robert Allen, AT&T's new chairman, who acknowledged during the group's annual meeting in Denver, Colorado, that Mr Cassoni came to New York in 1986 "with the understanding he may some day return to Olivetti."

Mr Allen also said that AT&T had no plans to change its stake in Olivetti but that he would "have something to say" in the near future.

The differences between the two companies have arisen out of discussions they have held in recent months about the US group increasing its shareholding in Olivetti to 40 per cent.

AT&T originally bought its Olivetti stake in December 1983 when the two companies formed a much-vaunted "global alliance." Since then, Olivetti has shipped 516,000 personal computers to AT&T, representing 36 per cent of its total PC shipments between 1984 and 1987. Although sales fell last year to 50,000, Olivetti expects to sell more than 100,000 PCs to AT&T in 1988.

The deal struck in 1983 contained a clause preventing AT&T

Continued on Page 20

BBC WORLD SERVICE

The Leningrad operator tells Sam to hang on

SOMETHING unusual happened last November at the end of Granny's Chest, the old pop favourites music show presented by Sam Yossman, the regular disc jockey on Britain's BBC's Russian Service, writes Raymond Snoddy.

For some time Sam had been encouraging listeners in the Soviet Union to phone him – with very little response.

Suddenly on November 27, within the space of four hours, 69 calls came in from all over the Soviet Union – from Alma Ata in the south to Archangel in the north. At one stage the Leningrad operator said: "Don't hang up Sam, I've got four more people waiting to talk to you."

Mr John Tusa, managing director of British Broadcasting Corporation's (BBC) External Services, which broadcasts in 37 languages to a regular weekly audience of 120m around the world, told the story at a meeting in the House of Commons, Britain's lower house of Parliament. He related it as an example of how broadcasting to Eastern Europe was changing as a result of Soviet leader Mr Mikhail Gorbachev's policy of *glasnost*.

The calls came in unprecedented numbers even though they had to be made from public post offices and cost three roubles a minute – about $5.70 at the official exchange rate.

"We don't know what [illegible]

Soviet economy, Page 3
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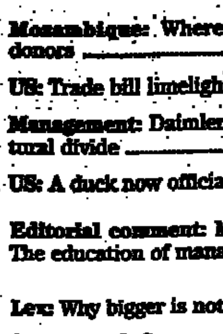


THE MONDAY PAGE INTERVIEW

Robert Taylor and Sara Webb talk to the Swedish Prime Minister, Ingvar Carlsson, Page 13

THE FRENCH RIGHT FACES AN ACUTE DILEMMA, REPORT PAUL BETTS AND IAN DAVIDSON

Le Pen 'earthquake' shakes Chirac

MR JEAN-MARIE Le Pen, the leader of the extreme right wing National Front, was the undisputed star of every French television station last night after his stunning breakthrough in the first round of the French presidential election.

Mr Le Pen, sporting a grey suit and blue paisley tie with handkerchief to match, said solemnly that his party had created "a political earthquake" by scoring an estimated 13-14 per cent compared with the 10-12 per cent forecast in the last opinion polls.

His score, if confirmed, has turned him into a fourth force in French political life, displacing the Communists who managed to poll barely half his score.

He was barely two points behind Mr Raymond Barre, the former Prime Minister and UDF centre-right candidate, and about five behind Mr Jacques Chirac, the neo-gaullist RPR candidate who will challenge President Mitterrand in the second round in two weeks time.

The results of the first round have underlined the acute dilemma facing Mr Chirac as the right's representative in the second round.

From the start of the campaign, it has been clear that the French right would be hampered by their internal divisions and antagonisms. Yesterday's outcome emphasises the depth of these divisions even though Mr Barre did his best to rally his supporters to Mr Chirac's cause within minutes of the close of the polling stations.

But the size of Mr Le Pen's advance, which appears to have been to a considerable degree at Mr Chirac's expense, took all commentators by surprise last night.

Mr Le Pen, who exploded on the French political scene four years ago when his National Front scored more than 10 per cent in the European elections, appears to have continued to gain ground at the expense of the traditional right, as well as eating votes away from the Communists by exploiting popular anxieties over immigration, unemployment and law and order.

The violence on the eve of the election in New Caledonia, a French territory in the South Pacific, and Corsica can only have reinforced popular appeal for Mr Le Pen's reactionary themes, especially in those regions and large cities like Marseilles, Lyon, and Paris with high concentrations of North African immigrants.

Throughout the campaign, Mr Chirac has repeatedly been asked whether he would negotiate with Mr Le Pen to secure the support of National Front voters. His answer, repeated last night, has been no. But the question will continue to be asked with increasing intensity, since Mr Chirac's only hope of election now rests with them.

The Socialists, whose candidate Mr François Mitterrand emerged with a substantial lead in yesterday's vote, will certainly seek to make maximum play of Mr Chirac's dilemma.

Mr Chirac and Mr Barre last night claimed to unite their forces behind the RPR Prime Minister in a joint television appearance. But even if all Mr Barre's voters switch to Mr Chirac, the RPR candidate would still need all Mr Le Pen's voters as well.

Mr Le Pen clearly intends to make the most political capital out of his strong negotiating position. Last night he refused to endorse Mr Chirac and postponed a decision until May 1. He has told his voters in the past that in the second round they should go fishing or vote for Joan of Arc. But in 1974, when he ran in the first round, he only polled 0.7 per cent.

To make matters more difficult for Mr Chirac, who will also have to retain the centre right vote to have a chance of beating Mr Mitterrand in the run-off, Mr Barre carefully set out the implicit limits of his endorsement. He ruled out all xenophobia, racism and extremisms from the second round campaign.

Mr Mitterrand's estimated score of 33-34 per cent was somewhat disappointing compared with the expectations of the Socialist candidate.

But his disappointment pales into insignificance compared with the quandary facing Mr Chirac, his rival in the second round. Last night, the odds still seemed to favour a Mitterrand victory on May 8. One instant television poll predicted he would scroe 54 per cent in the run-off in two weeks' time.

PARIS MINISTER FLIES TO NEW CALEDONIA AFTER SEPARATISTS ATTACK GENDARMES

Kanak violence challenges France

BY CHRIS SHERWELL IN SYDNEY AND PAUL BETTS IN PARIS

MR BERNARD PONS, France's Overseas Territories Minister, was due to arrive in the strife-torn South Pacific territory of New Caledonia early today, one day after the presidential and local elections there were marred by a rash of violent incidents.

Mr Pons was despatched to the capital, Noumea, by the French Cabinet after Melanesian Kanak separatists killed three gendarmes, wounded several more and took another 26 hostage on the island of Ouvéa on Friday. A fourth gendarme died in hospital yesterday.

The death of the fourth gendarme and continuing violence in the French Pacific territory coincided with a new wave of separatist violence in Corsica, adding additional tension to the first round of polling yesterday in the French presidential elections.

Five gendarmes were injured when a car bomb exploded near Calvi, Corsica, on Saturday. The outlawed FNLC Corsican separatist movement claimed responsibility for the car bomb. A number of other bombs damaged buildings and villas on the island at the weekend.

The flare-up of violence in New Caledonia and Corsica on the eve of the first round of the Presidential election was condemned at the weekend by all candidates.

Despite the violence and efforts to disrupt polling, the French Ministry for Overseas Territories said the election turnout in New Caledonia was about 60 per cent. This was about the same as for the referendum on self-determination last September.

However, separatists prevented 38 of 139 polling stations in New Caledonia from opening yesterday. Initial results from those which did operate showed a heavy majority in favour of Mr Jaques Chirac, with Mr Jean-Marie Le Pen running second.

Violence continued in New Caledonia yesterday. By last night incidents, many involving exchanges of gunfire, had been reported in half a dozen towns, with more than a dozen casualties involving gendarmes and white settlers. Many roads outside Noumea were reported blocked.

One hot-spot was Canala, 170km from Noumea on the east coast of the main island, where in separate attacks six gendarmes were wounded, apparently by an explosion, and three white settlers were hurt in gunfire.

The socialist Kanak National Liberation Front (FLNKS), led by Mr Jean-Marie Tjibaou, has claimed responsibility for Friday's ambush, killings and abduction, and confirmed the conditions attached to the hostages' release. These conditions include the withdrawal of French forces from Ouvéa, a French mediator from Paris and talks on a fresh act of self-determination for the territory.

The FLNKS, with the support of a majority of the indigenous black Melanesian Kanaks, has been campaigning for New Caledonia's independence for years. It rejects the recent statute under which new regional bodies and a new territorial congress are supposed to be established after this election.

That statute was conceived in the wake of last September's referendum on the territory's future, which, like yesterday's elections, the FLNKS boycotted. Those who did vote – mostly white settlers and migrants from Polynesia and South East Asia – overwhelmingly backed New Caledonia's continued links with France.

In Australia, where the government is closely monitoring developments, Mr Bob Hawke, the Prime Minister, said he was "terribly distressed" at the outbreak of violence, but said Australia had warned France of this possibility.

While urging moderation on all sides, he suggested Paris had to do more to help Kanaks. There had to be greater Kanak involvement in the local administration.

Dukakis, Jackson woo grim Mon Valley

THE Monongahela is a broad, sluggish river that runs up from the coal-beds of West Virginia to form the Ohio at Pittsburgh. With each big loop as it moves northwards, the river passes the body of an abandoned steelworks. If you wanted to find a place that has done badly in the rip-roaring Ronald Reagan years, the Mon Valley is it.

In the past 10 years, seven steel plants have closed down in Western Pennsylvania. Only one in four steelworkers still has his old job. The metallurgical coal and barge-building industries have collapsed alongside big steel. In the Mon Valley itself, half the heads of households are out of work.

The place is in deep shock. Many of the men are third or fourth generation steelworkers, descendants of Slovak, Croatian, Hungarian or Italian immigrants, union men and Democrats. They know the plants were old and costly, the dollar was high at the beginning of the 1980s and steel imports from Brazil or South Korea were cheap. They still cannot quite grasp the catastrophe.

In 1984, when Pennsylvania fell to President Reagan, Western Pennsylvania stayed firm for Mr Walter Mondale, the Democrat candidate. The Republicans are still gaining

James Buchan reports from Pennsylvania, scene of tomorrow's Democratic primary

in the state because areas like the Philadelphia suburbs and south-central Pennsylvania are increasing in population and affluence. But as the Democrat pie gets smaller, the westerners provide more of it. It is in these grim river towns where shops are boarded and men loaf all day on sidewalks that tomorrow's Democratic primary will be decided.

Over the weekend, the Rev Jesse Jackson and Mr Michael Dukakis took their campaigns to the Mon Valley. Neither will attack the other and the televised debate in the shadow of USX's vast and shuttered plant in Homestead, western Pennsylvania, on Saturday was courteous to the point of irrelevance. What distinguished the two is not policy, barely articulated beyond promises to attract investment, but approach: Dukakis experience against Jackson fire.

"They both have a lot to offer," says Mr Dick Fontana of the United Steelworkers union in Pittsburgh, which is pushing each candidate to come out for more trade protection for the industry. "The desperate need here is for jobs and Dukakis has shown that he can bring in jobs as governor of Massachusetts. We also need an excited politician who will work for the unemployed and the underpaid – and that's Jesse Jackson."

For many people in the Mon Valley, the cool technocrat in Mr Dukakis grates on their misery and the Jackson camp has seized on an opportunity. With his unfailing gift for the striking image, Mr Jackson rented a paddle steamer to ride up past the ruined works on Saturday, addressing crowds scattered along the shore like some preacher from the Hoover era.

Mr William Roberts, who works as a fork-lift operator in Mon City, is a white man who will vote for Mr Jackson. "Dukakis may have experience, but he talks only for his own type of people. He doesn't talk for low-income guys." Ms Delores Patrick, a black woman who runs a soup-kitchen in Homestead says: "Jesse has been here before. The first time I heard of Mike Dukakis was when he said he was running for the nomination."

Threat to kill two US hostages in Beirut

BY NORA BOUSTANY IN BEIRUT

THE pro-Iranian Revolutionary Justice Organisation yesterday threatened to kill two American hostages if the US staged further attacks against Iranian interests in the Gulf.

A statement, delivered to two Beirut-based foreign news agencies, said: "The American attacks in the Gulf will not pass without punishment."

The Revolutionary Justice Organisation kidnapped the Americans, Mr Joseph James Cicippio and Mr Edward Austin Tracy, in 1986.

Its statement was accompanied by a copy of Mr Tracy's residence permit.

"Any new aggression under any cover or pretext will lead to the execution of the spy Edward Tracy first, and then Cicippio," the statement said.

The warning came one day after a French negotiator team involved in securing freedom for three remaining French hostages returned home empty-handed from Beirut on the eve of the French presidential elections.

In the northern port of Tripoli, grieving residents mourned the victims of a huge bomb that killed at least 68 people and devastated the crowded vegetable market at Bab Tabbaneh.

It was difficult to discern from television footage the extent of new damage caused by the bomb, given that buildings are already scarred from previous fighting.

Tripoli took its first real battering in 1983 when Syrian-backed Palestinian dissidents fought loyalists of the Palestine Liberation Organisation leader, Mr Yassir Arafat, before he sailed out of Lebanon with his troops.

It was ironic that the Tripoli blast, the bloodiest explosion Lebanon has seen for three years, came one day before Mr Arafat returned to Damascus to mend fences with Syria and its president, Mr Hafez Assad.

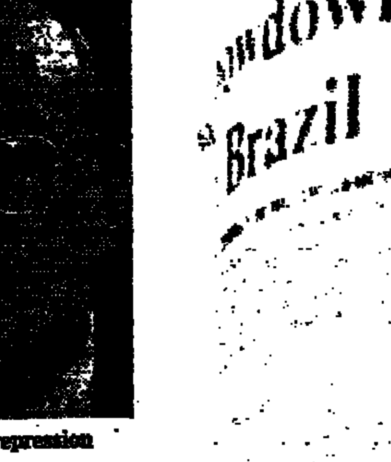
No one has yet claimed responsibility for the Tripoli bombing, staged with a pick-up truck packed with explosives and parked near the cemetery wall of Bab Tabbaneh.

Leftist and Moslem groups blamed the Christian militias for the carnage.

The threat to kill the two missing Americans and delays in a purported deal to free two French diplomats and a journalist abducted in Beirut three years ago, brought into focus developments in the Gulf.

Iran's military setbacks in the Gulf war and its pressing need for fresh arms deliveries have reportedly prompted it to make new demands of the French government.

Moslem security officials commented that the pro-Iranian captors were seeking to maximise their gains by dragging on the date for a promised release.



Craxi: 'odious' repression

Craxi urges EC to take over Gaza, West Bank

By John Wyles in Rome

MR BETTINO CRAXI, leader of the Italian Socialist Party, carried his attempt to reshape Rome's policy on the Middle East a stage further at the weekend with a proposal that the European Community countries should administer the Arab territories occupied by Israel.

He claimed in a press conference that a UN mandate would pacify the West Bank and Gaza and create the conditions for a negotiated solution to the Palestinian problem. Europe needed to be more active in the search for a settlement and Italy needed to be more active within Europe.

It is far from certain that Mr Craxi's latest initiative will be taken up by the coalition government headed by Mr Ciriaco De Mita.

As leader of the second largest party in the coalition, Mr Craxi is seeking to use popular sympathy for the Palestinian cause since the uprising in the occupied territories (Israeli repression had been "odious", he said), as a means of stepping up European pressure on Israel to compromise.

However, he insisted at the weekend that the Palestine Liberation Organisation should recognise the state of Israel and played down his own call at the end of last week for official recognition by Italy of the PLO. There was already a *de facto* recognition, said Mr Craxi, pointing to the existence of a PLO representative office in Rome.

● Italy's trade deficit in February was curbed by an 18.1 per cent increase in exports and at L1,215bn (£517m) was 38 per cent below the same month last year. This has helped keep the first two months' deficit almost precisely in line with that of January and February of last year, L3,548bn compared with L3,544bn.

Arab shopkeepers defy Israeli 'stay open' order

BY ANDREW WHITLEY IN JERUSALEM

ARAB shopkeepers in Jerusalem yesterday defied military orders to open their premises all day, as the security forces attempted to break a four-month-long strike in the eastern part of the capital.

Simultaneously, the army eased a series of restrictions imposed for up to a month on Palestinians in the occupied West Bank and Gaza Strip. Curfews were lifted on most refugee camps, fuel supplies were resumed, and travel across the pre-1967 Green Line into Israel was permitted again.

According to the army, most of the 110,000 Palestinians who used to work in Israel turned up at their jobs yesterday. How many of them still have jobs is a different matter, as employers of Arab labour have been switching wherever possible to Jews - or simply doing without.

In East Jerusalem, over 100 policemen descended on a street of Arab-owned shops adjacent to the Jewish districts as shopkeepers refused to open their premises in the morning as instructed.

Caught between the orders of the uprising's leaders - to open only for three hours in the afternoon - and Israel's counter-demands, they face up to two years in prison for their defiance.

Both sides are treating the battle for control of business hours on Jerusalem's Street of the Prophets as a test case, with implications for the rest of the city and, by extension, the uprising as a whole.

French-Canadian fishing row shows signs of progress

BY DAVID OWEN IN ST PIERRE AND MIQUELON

AS VOTERS cast their ballots for the French presidency in the remote St Pierre and Miquelon islands, off the coast of Newfoundland, Canada, there were signs of progress in the acrimonious Franco-Canadian fishing dispute which has prompted France to recall its ambassador from Ottawa for consultations.

The two sides agreed at the weekend to appoint a mediator to help fix interim fish quotas while negotiations on geographical boundaries continue. The quotas would be for the years 1988-91.

France claims an economic zone of 200 miles around the islands of St Pierre and Miquelon, its last remaining North American dependency. Canada recognises a limit of only 12 miles. The islands lie just off the south coast of Newfoundland well within Canada's own economic zone.

The agreement, which resulted from two days' intensive discussions between Mr Yves Fortier, the Canadian negotiator, and Mr Jean-Pierre Puissochet of France, represents a victory of sorts for the St Pierrais politicians arrested earlier this month for fishing in Canadian territorial waters.

It was that incident which triggered the recall of the French ambassador.

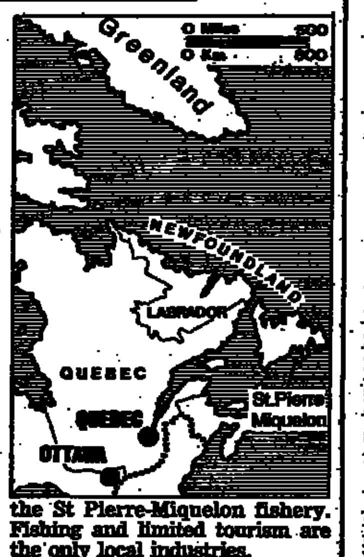
The islanders have become increasingly frustrated with the state of deadlock which has prevailed in the dispute since last autumn, when France broke off negotiations.

This prompted Canada to close its ports and fishing grounds to French and St Pierrais vessels - an act which has effectively scuppered the fragile St Pierre-Miquelon economy, since it has coincided with a dearth of fish within the islands' own disputed economic zone.

One of the two island processing plants is now shut down for lack of fish and on the verge of bankruptcy. The other is working just half a day a week and has lost an estimated FFr8m since the year began.

January to March is traditionally one of the busiest periods for the St Pierre-Miquelon fishery. Fishing and limited tourism are the only local industries.

The mediator, as yet unnamed, will be given a maximum of three months in which to help decide quotas.



EC states take hard line on regional aid

By Hazel Duffy

GOVERNMENTS of the European Community are increasingly making companies prove they need assistance to invest in the more depressed regions instead of granting aid automatically.

The annual survey* of regional incentives in the European Community and Sweden, published by Strathclyde University, concludes that several of the governments are putting less emphasis on regional policy, preferring to use aid schemes which encourage employment creation by assisting small companies and making grants towards technological innovation.

Regional incentives as such are being targeted more on areas in most need, and helping only those companies which can prove to the civil servants administering the schemes that the projects would not go ahead without assistance.

The features of this trend can be seen in several forms. In Britain, regional development grants, which were virtually automatic, ended on March 31. In Northern Ireland, companies have another year before capital development grants finish.

France, Italy, the Netherlands and Portugal are also moving away from automatic aid. Ireland, where all aid is discretionary, has recently allied assistance more closely to targets to be met by companies.

The areas where incentives are available are being cut back, most recently in Denmark and Germany.

Ten years ago, between one-third and half of the population of several European countries were in assisted areas.

Today, it is generally between one-fifth and one-third.

* *European Regional Incentives 1988. European Policies Research Centre, University of Strathclyde, Glasgow. £45.*

US export clearance may hold key to Eurofighter radar order

BY LYNTON McLAIN

THE battle for the £1bn Eurofighter radar contract is about to enter a crucial new phase, with the future of one of the two competing radars now dependent on clearance by the US of the export of US defence technology.

The US Defence Department is preparing a memorandum of understanding to be signed with the four partner-nations in Eurofighter – the UK, West Germany, Italy and Spain – to permit the transfer of US airborne radar technology to a consortium led by AEG of West Germany.

AEG wants to base its Eurofighter radar proposal on a US radar made by Hughes.

AEG and its partners expect that Washington will also require agreement on the transfer of advanced European technology, developed for the Eurofighter radar, to the US.

The AEG consortium, which includes Marconi Defence Systems, part of GEC, is fighting a group led by Ferranti for the Eurofighter radar. Hughes and Marconi have already been to Washington with a list of parts and technology they need for Eurofighter.

The Ferranti consortium is offering the wholly European ECR 90 proposal for Eurofighter. This has no US involvement and can proceed without clearance from the US authorities.

Mr Paul Kennard, the vice-president of the US Hughes Aircraft company's radar systems group, said after visiting Hughes Microelectronics at Glenrothes, Scotland, that "US policy had not been very forthcoming on the export of computer software".

Software is at the heart of the Hughes radar. He was confident that the necessary clearances would be given, "but they are not in writing yet".

Mr Kennard said "the technology release will be adequate to meet the needs of the Eurofighter programme".

However, the US Defence Department would decide the timing of the release of US software, for security reasons. "There will be some form of time phasing on the release", Mr Kennard said.

He was quite sure one of the requirements of the memorandum of understanding would be a transfer of technology, also from Europe to the US.

Mr Armin Roy, manager of airborne radar systems at AEG, said his consortium was not "re-inventing the wheel" with its proposal for the Eurofighter radar.

It was using available technology to develop its MSD 2000 version of the US Hughes APG-65 radar already in use on the US F-18 fighter.

The European version would require almost a total redesign of the hardware of the Hughes radar, Mr Roy said. "The MSD 2000 would be a new European radar using established know-how technology".

The statement by AEG contrasts with previous comments by the consortium in its bid to win the radar battle. Previously, it had claimed the adaptation of the US Hughes radar was a "low risk" solution, because little of it would be new.

It appears now that most of the equipment for the radar will be new and developed in Europe.

This puts the proposal in the almost same category as that from Ferranti, which is basing its European Collaborative Radar for the 1990s on the Blue Vixen currently under development for the updated versions of the Royal Navy Sea Harrier aircraft.

France to grade N-accidents

By George Graham in Paris

THE FRENCH Government has set up a Richter-type scale to measure the danger of nuclear incidents.

Accidents in nuclear power stations will be graded from one – minor functional problems – to six – big disasters such as the Chernobyl explosion in 1986 – in a bid to cut through the technical jargon and give the general public a clear idea of how serious an incident is.

The industry ministry is expected to publish the graded warnings on its service, codenamed Magnuc, on the French public Minitel videotext network.

"At least the Government now recognises that nuclear accidents are possible," said Mr Michel Duchene of the French Green party.

Afghan guerrillas 'occupy' towns as troops pull out

MOSLEM guerrillas said yesterday they had occupied two towns in southern Afghanistan near the Pakistan border after government troops abandoned them, agencies report.

Guerrilla spokesmen in Islamabad, Pakistan, said helicopters evacuated hundreds of government troops from Athghar, in Zabul province, on Saturday and from Maruf, in Kandahar, on Friday. The Mujahideen rebels later took control of the towns, they said.

In Kabul, Afghanistan's President Najib yesterday confirmed that Moslem guerrillas had captured another Afghan army post on the Soviet-Pakistani border, though he refused to call it a defeat. Capture of the post should open a route for guerrillas to import weapons from Pakistan.

President Najib characterised the guerrilla victory as "a change of position" and suggested it could ease the way for Afghan refugees to return home from Pakistan.

For the first time yesterday President Najib backed the idea of a balanced cut in arms supplies by the Soviet Union and the US. It was the first time he had openly said his government might be prepared to forgo further Soviet supplies.

"We accept an identical form of symmetry," he told a non-governmental conference of US, Soviet and Afghan scholars.

The Geneva accord signed this month, under which Soviet troops will start leaving Afghanistan on May 15, does not provide for an end to arms supplies from the superpowers.

President Najib, for the first time since the Geneva accord, specifically accepted that if Soviet military aid to the Afghan government continued, there would be a proportionate continuation of US arms supplies to Afghan rebels.

Panama regime to announce 'war cabinet' shortly

BY DAVID GARDNER IN PANAMA CITY

PANAMA'S military-dominated regime is shortly to announce a new cabinet, described by some of its supporters as a "war cabinet", following the resignation of all ministers late last week.

The shift comes as the Roman Catholic hierarchy, which has attempted to mediate in the conflict pitting General Manuel Antonio Noriega against the US Administration and Panamanian opposition, called on Washington to lift the crippling economic sanctions it has imposed on Panama.

The cabinet reshuffle is designed to send a clear signal to Washington that it cannot expect to dictate the terms of Gen Noriega's departure or the transition which follows.

Technocrats, led by the respected young Planning Minister Mr Ricaurte Vazquez, are expected to go, along with the Foreign Minister Mr Jorge Abadia, who has been ineffective in rallying Latin American support.

President Manuel Solis Palma, appointed by Gen Noriega in February to replace the deposed President Eric Arturo Delvalle, is expected to promote the left-wing "Tendency" within the military-allied Democratic Revolutionary Party (PRD) into the cabinet.

Dr Orville Goodin, a Tendency leader, is tipped for either the Finance or Planning Ministry, though Mr Solis has tried, so far unsuccessfully, to enlist figures from the right of the PRD, such as the party's former secretary-general and Finance Minister, Mr Ernesto Perez Valladares.

The new Government's position will be bolstered by the Church's vehement stand against sanctions, which include a freeze on Panamanian assets in US banks and on Panama Canal and oil pipeline revenue, and a ban on US companies in Panama paying taxes to the Government.

In a pastoral letter signed by Archbishop Marcos McGrath and Panama's 10 bishops, the hierarchy describes the sanctions as morally unjust and calls for their immediate suspension.

It describes the main causes of Panama's crisis as a capitalist economy removed from the basic needs of most people as well as foreign intervention, economic domination and military repression and corruption.

The new government's desperate financial position will be somewhat relieved by Mexico's pledge to guarantee Panama's oil supplies.

The Panamanian Government will this week be forced to revise down its tax revenue projections for this year from $1.08bn to $525m, according to Mr Vazquez, and would have run out of oil by mid-May, energy officials say.

Nigeria takes fresh step towards civilian rule

BY MICHAEL HOLMAN

NIGERIA'S military government took a further step at the weekend towards its target of returning the country to civilian rule by 1992 when local government councillors voted for a 450-member national constituent assembly.

The assembly will debate and ratify a constitution which has been drawn up by a Constitution Drafting Committee.

The first round of the phased process which will lead to a civilian president in a two-party system was held in December last year, and again last month, when voters elected local government councillors.

Tens of thousands of former politicians and government office holders have been barred from standing in the polls as part of the government's attempt to clean up Nigerian politics.

A ban on parties is due to be lifted in 1989.

Elections for state governors and legislatures is set for the first half on 1990, followed by voting for the Federal legislatures - senate and house of assembly - in the first half of 1992.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Foreign capital showdown starts in Brazil today

BY IVO DAWNAY IN RIO DE JANEIRO

THE long-awaited showdown between Brazilian nationalists and liberals over the role of foreign capital in the economy begins today when Congress debates key constitutional clauses.

Voting will establish the exact definition of a "national company" and whether foreigners may continue to distribute petrol and alcohol fuels or prospect for oil or minerals.

It will also influence many foreign companies considering investment in the country and could set limits on President Jose Sarney's recently declared strategy of opening up the heavily protected economy to investment from overseas.

A successful effort to tighten the rules on foreign companies' activities by the nationalist-dominated drafting committee last year provoked a furious outcry from fuel distributors and mining companies.

Shell Brasil, the wholly-owned local subsidiary of Royal Dutch/Shell, warned that it would withdraw from the country rather than accept an imposed Brazilian majority shareholding in its activities.

Other foreign companies - Esso, Atlantic and Texaco - joined Shell in a nationwide campaign to reverse the vote. Similarly, mining companies have lobbied hard to retain their licences to prospect.

The final decision on these issues should come this week, when Congress, sitting as the Constitutional Assembly, votes on an amendment that broadens the definition of a national company to any corporation whose administration and headquarters are within the country.

On this basis, Shell Brasil and other groups would be able to continue their activities.

However, some supporters of the amendment fear that they may not be able to raise the 280 votes needed to change the draft. Extensive talks over the weekend between the two sides have so far failed to find an acceptable compromise wording.

If the amendment fails, Congressmen must then vote on the draft text. If, as expected, this also fails to achieve a majority, a new wording capable of winning approval will have to be agreed between party chiefs.

Fresh call to EC to boost sanctions against S Africa

BY CANUTE JAMES IN KINGSTON

FOREIGN ministers representing 66 countries in Africa, the Caribbean and the Pacific are to ask the European Commmunity this week to intensify economic sanctions against South Africa, including a freeze on new loans and a rejection of requests for refinancing existing loans.

The proposals from the group which is linked to the Community through the Lomé Convention, will be made in a meeting with foreign ministers of the EC in Brussels tomorrow.

Officials said the group will be represented by eight foreign ministers who will tell their EC counterparts that the 66 countries, including the African "front-line" states, have also committed themselves to new measures against South Africa, including a ban of air links and an end to trade relations, despite the fact that such moves would be likely to damage the economies of of some African countries.

The group's position was agreed at a foreign ministers' meeting in Jamaica late last year to discuss sanctions against South Africa. The meeting concluded that there was no benefit in trying to bring down the South African government, but there was merit in attempts "to force South Africa to come to the negotiating table to discuss the creation of a non-racial, democratic society."

In tomorrow's meeting, the EC will be asked specifically not to grant any new loans to South Africa, to refrain from all rescheduling of existing loans, to make no new investments, and to withdraw all existing investments.

SHIPPING REPORT

Weakness continues in dry cargo markets

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

RATES FIRMED slightly in the tanker market last week, particularly for larger vessels trading from the Gulf, but there was a major downward shift in sentiment in the dry cargo markets.

Most of the available cargoes from the Gulf were for Far East discharge. Galbraith's, the London brokers, said the rate for 240,000 tonnes from the Gulf to Taiwan/South Korea reached Worldscale 40. Among smaller vessels, a cargo of 100,000 tonnes was fixed at Worldscale 77.5 to the Far East, and several ships of 80,000 tonnes were fixed at Worldscale 135 for similar trips.

Brokers said a number of charterers were looking at other areas for crude supplies in view of the uncertainty in the Gulf caused by renewed military activity.

As a result, rates improved strongly in the Mediterranean, and there was some increase in the levels for ships trading out of the North Sea.

Rates for 80,000 tonnes from Libya to North-West Europe were heading towards Worldscale 100 at the weekend, and in the North Sea, Worldscale 87.5 to Worldscale 90 was being paid for US discharge.

In the dry cargo markets, the weakness in rates which appeared two weeks ago in the Pacific continued, although brokers said there had been no change in market fundamentals.

Rates in virtually all bulk trades are now 10-20 per cent below the peak reached during the recent bull market, and further volatile movements are expected now that supply and demand have moved into rough balance.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Feb.'88	Jan.'88	Dec.'87	Feb.'87
US ($bn)	exports	23.559	22.330	24.801	19.360
	imports	37.387	34.767	37.003	33.725
	balance	-13.828	-12.437	-12.202	-14.365
Japan (US$bn)	exports	20.927	21.722	20.044	18.104
	imports	12.475	12.623	11.504	8.947
	balance	+8.452	+9.099	+8.540	+9.157
UK (£bn)	exports	6.181	6.210	6.817	6.827
	imports	7.501	7.654	7.827	7.066
	balance	-1.320	-1.444	-1.010	-0.239
		Jan.'88	Dec.'87	Nov.'87	Jan.'87
W. Germany (DMbn)	exports	41.42	45.00	44.76	41.23
	imports	30.60	34.11	34.47	32.18
	balance	+10.82	+10.89	+10.29	+9.05
France (FFrbn)	exports	77.707	81.597	79.591	67.730
	imports	78.341	82.480	80.273	70.180
	balance	-0.634	-0.883	-0.682	-2.450

Doubts linger as to whether a presidential veto can be sustained, Peter Montagnon writes

Trade bill limelight passes to US Senate

PASSAGE of a new trade bill by the US Congress was always expected to provoke cries of complaint from trading partners around the world. Those expectations were fulfilled after the House of Representatives passed a final version of the bill by a majority of 312 to 107 late last Thursday night.

Japan's Trade Minister, Mr Hajime Tamura, said the bill smacked of anti-Japanese sentiment. In Europe, EC Commission officials said the bill "would pose problems" because it gave the Administration too much discretion in deciding when trade agreements had been broken.

The limelight has now passed to the Senate, due to vote on the same bill early this week and expected to pass it, albeit by a smaller majority than the House. President Reagan has promised to veto the legislation, but, on the basis of the House vote at least, there are lingering doubts as to whether the veto could be sustained.

The immediate Administration concern is the clause requiring companies to give workers 60 days' notice of plant closures. The move is as vehemently opposed by business as it is supported by organised labour, but has little to do with trade. Despite the international outcry on trade issues, the Administration is reasonably happy with this part of the outcome.

Not only has the controversial Gephardt amendment that would have inflicted retaliation against countries running persistent trade surpluses with the US been dropped. The Bryant amendment, which would have required registration of foreign investment in the US, and prompted fierce international criticism, does not feature any longer either.

The legislation would provide authority for the US to negotiate in the Uruguay round of trade liberalisation talks as well as the introduction of the internationally agreed new classification system for customs tariffs designed to smooth the workings of the trading system.

The bill streamlines licensing requirements and reduces the control list for technology exports. It would finally ratify the two-year old settlement of the EC–US dispute on pasta and citrus trade.

European officials agree the bill is now considerably less protectionist than when the Congressional debate began. Many of its more contentious trade provisions are watered down by waiver authorities. Yet the fear remains it could still spawn a rash of unpleasant disputes and heighten friction in the international trading system.

For Japan and Norway, the immediate concern is the inclusion of mandatory sanctions against Toshiba and Kongsberg for selling sensitive technology to the Soviet Union.

Imposition of such sanctions is widely regarded as an almost certain infringement of the General Agreement on Tariffs and Trade. It is of less immediate concern to the EC, but the bill also contains a provision imposing mandatory sanctions against any foreign company which damages the strategic balance through illicit technology sales to the Soviet bloc. This risks reinflaming the general controversy over extra-territorial application of US law.

West Germany is concerned alongside Asian countries like Japan, Taiwan and Korea about the clause inserted to replace the Gephardt amendment. Known as "Super 301" this calls on the Administration to identify trade barriers in foreign countries, particularly those with large trade surpluses, and seek to negotiate them away over three years

Though provision is included in the bill for retaliation to be waived, a concern for the future is that the use of such a waiver will depend on the trade policy stance of individual Administrations.

The bill also transfers directly to the US Trade Representative the authority to determine whether foreign trade practices are unfair. It makes retaliation mandatory for violation of foreign trade agreements, imposes tight time-limits for action and introduces new actionable practices in the form of export targeting, denial of worker rights and denial of market opportunities.

The bill expands the range of actions the President can take to help industries seeking import relief. It establishes new procedures allowing US concerns to file complaints when dumping by foreign companies into third countries is damaging US industry and, in a move akin to the EC's "screwdriver" measures, authorises the Commerce Department to prevent circumvention of anti-dumping or countervailing duty orders through assembly or finishing operations in the US or in third countries.

No doubt some US trading partners would heave a sigh of relief if some of these measures were removed at a stroke with a Presidential veto. Yet a veto would also carry costs for the outside world as well as the Administration.

It would deprive the US of negotiating authority for the Uruguay round which could slow progress ahead of the ministerial mid-term review in Montreal in December, and could prompt Congress to reject the US–Canada free trade agreement, due to be considered later this summer, and rekindle support in Congress for fresh action to curb textile imports which is being considered separately.

Above all, the risk would remain that, contrary to Administration hopes, Congress might come back at some later stage with a much tougher bill.

More pressure likely on telecom markets

THE US is likely to step up efforts to force other countries to open their telecommunications markets if the trade bill is enacted, Peter Montagnon reports.

Provisions covering the telecommunications industry are one of a number of specific subjects included in the bill that could give rise to disputes with trading partners, trade experts believe.

The bill calls on the Administration to investigate foreign countries that deny mutually advantageous market opportunities and raises the possibility of retaliatory action within a period of up to $3\frac{1}{2}$ years if no agreement is reached.

Experts believe the bill contains other "small-print" measures which hold out the risk of international disputes, though it will take time and further study before it becomes clear how potentially damaging they are.

Among them are:

● Government procurement. The bill calls on the President to identify countries which fail to respect the Gatt code on government procurement. Such countries face a possible ban on US procurement business.

● Intellectual property and patents. The bill makes it easier for companies complaining about infringement to seek redress by eliminating the requirement for them to prove injury in the case of intellectual property and giving process patent owners the right to exclude others from using it or selling it in the US.

● Primary dealerships in US government securities. The bill prevents foreign-owned companies from being designated primary dealers unless reciprocal rights are granted in the foreign owners' home country.

● Agricultural trade policy. The bill extends the farm product export enhancement programme to 1990 and raises the ceiling on the value of commodities that can be involved by $1bn to $2.5bn.

It also requires the Administration to implement a special marketing loan programme for the 1990 crops of wheat, feed grains and soybeans unless there is significant progress on farm reform talks in Gatt by January or the President determines the loan programme would harm further negotiations.

● Shipping. The bill gives the Federal Maritime Commission new powers to act against foreign maritime practices that are deemed unfair.

UK NEWS

Lawson mainstains stance over exchange rate policy

BY PETER RIDDELL, POLITICAL EDITOR

MR NIGEL LAWSON, Chancellor of the Exchequer, yesterday underlined his opposition to a further appreciation of sterling while delivering a gentle, though unambiguous, rebuke to Mrs Margaret Thatcher, the Prime Minister, for her public comments six weeks ago about exchange rate policy.

Speaking on BBC television Mr Lawson said he did not want "to see the exchange rate appreciate further. It would be an unsustainable appreciation. That does nobody any good and is damaging for business and industry."

He parried questions about his political future, saying he had not taken any decisions and had no ambition to be Prime Minister.

Asked about the public airing of differences with Mrs Thatcher over exchange rate policy just before the March Budget, Mr Lawson said it was "unfortunate" and "not sensible" for these market-sensitive matters to have been discussed as much in public then as they were.

But Mr Lawson added twice that these matters were now "behind us" and both the Prime Minister and he were interested in "the maximum possible exchange rate stability within the context of a sound anti-inflation policy."

His comments, asserting his authority over exchange rate policy, stopped short of reopening the row between his preference for a stable framework and Mrs Thatcher's support for free-floating.

Mr Lawson replied to concern about the inflationary impact of intervention in foreign exchange markets by emphasising that all such purchases of foreign currency in the 1987-88 financial year had been sterilised by being funded through borrowing from the public.

He also noted that interest rates were the only instrument of policy between budgets. He backed his aim of stable exchange rates by arguing that if currencies were highly volatile this meant that there would be more rather than fewer interest rate moves.

On inflation, Mr Lawson accepted that the annual rate of increase, currently 3.5 per cent, would "bob up and down a bit," but said "the underlying trend" would be downwards.

He said the Government's goal remained "ultimately" the total eradication of inflation out of the system, but he acknowledged that this might take a little while and he declined to set a date.

These issues will be highlighted later today by a report from the cross-party House of Commons Treasury and Civil Service Committee of MPs, which Mr Lawson acknowledged was likely to be critical.

The committee will question the Treasury's record of intervening in foreign exchange markets and of meeting its inflation objectives. This will provide ammunition for some of Mrs Thatcher's advisers who favour a greater emphasis on a stronger pound to curb inflation.

Mr Gordon Brown, Labour's Shadow Chief Secretary, said the interview showed that Mr Lawson and Mrs Thatcher were at loggerheads over exchange rate policy with British industry the loser.

Thatcher seeks to stem revolt

BY OUR POLITICAL EDITOR

MRS MARGARET THATCHER will this morning discuss with other senior ministers how to head-off two further Conservative backbench revolts over the next two days and a concerted opposition attack over its social and economic policies.

The signs last night were that no major concessions would be offered in advance of either tonight's parliamentary vote on the third reading of the bill to introduce the community charge to replace the present rating (property tax) system or of a Labour-initiated debate on Wednesday over this month's changes in housing benefit.

The Government's majority this evening in the House of Commons should be higher than the 25 it secured a week ago on a key amendment to the bill, possibly around 50, but still down from its paper margin of 101.

Social security ministers and parliamentary managers have been consulting over the weekend about Wednesday's debate in view of widespread complaints by Tory MPs about the new provision whereby pensioners lose all entitlement to housing benefit if they have savings of more than £6,000.

The official line yesterday was that the Government would merely repeat its previous assurance about carefully monitoring the impact of the changes. But there could be an offer of amendments to the rules to help hardship cases, possibly coupled with a hint that an increase in the £6,000 limit might be announced in the autumn. The size of the revolt will depend on how definite ministers can be over amendments.

Mr Nigel Lawson, Chancellor of the Exchequer, yesterday brushed aside the criticisms. He said "We have the support of the party and the country for the policies we are pursuing and we shall go on with them." Some people were "a little bit disaffected for various personal reasons and others were genuinely concerned about the changes being carried through."

In advance of tomorrow's second reading of the finance bill which includes large cuts in the higher rates of income tax, Mr Lawson argued that the size of the gap between the rich and the poor did not matter provided that the poor were better-off, as they had been since 1979.

But he added that the tax cuts imposed social obligations on the better-off and he highlighted the doubling in charitable giving in real terms. He said charity could supplement the National Health Service.

However, Mr Gordon Brown, Labour's Shadow Chief Secretary who will lead the party's attack on the finance bill, said Mr Lawson was "the first Chancellor in living memory to demand that charity should bridge the growing inequality gap between the rich and poor."

P&O ends recognition of union in ferry strike

By Jimmy Burns, Labour Staff

P&O European Ferries, whose ships have been strike-bound for more than 12 weeks, is to end its recognition of the National Union of Seamen for bargaining of pay and conditions in the industry.

It has given notice that it is to withdraw from the unionised labour supply arrangement jointly regulated by the union and UK employers known as the Merchant Navy Eastablishment.

P&O today placed advertisments in two mass-circulation UK national newspapers calling for job applications from non-unionised as well as unionised seamen. It said that hundreds of striking seamen who were still on strike over the company's new pay and conditions proposals, would formallly receive their dismissal notices tomorrow.

A senior P&O executive said yesterday: "This means that we are no longer a closed-shop. We shall not recognise the National Union of Seamen in collective bargaining."

The move, which consciously goes to the heart of a previously little-questioned 40-year-old industrial relations structure, is the most drastic step yet taken by the company to end its strike.

It was, nevertheless, dismissed yesterday by the NUS as a tactical ploy which had limited chances of success.

Mr Sam McCluskie, the union's general secretary, described the move as "typical of P&O's storm-trooper approach to industrial relations."

He claimed that the P&O's national recruitment campaign was "clear evidence" that the company had failed to get its ships back to sea by appealing over the heads of union officials to employees to agree to its new proposals.

In Dover, Mr Philip Hutchinson, a local shop steward, said that the majority of local seamen were not prepared to work for the company unless it modified its proposals.

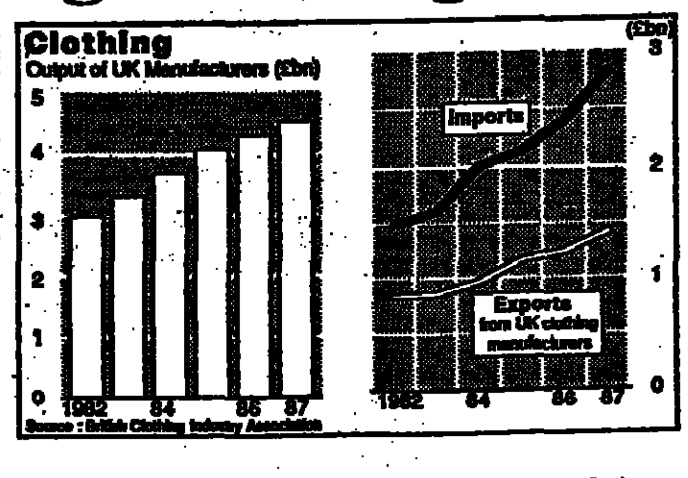
P&O claims to have flown 32 seamen – all members of the NUS who have abandoned the strike – to Amsterdam and then on to Rotterdam, in Holland, where two of its ships, the Pride of Kent and the Pride of Bruges are moored.

Alice Rawsthorn assesses an overseas threat to the clothing industry

Pound weighs down garment makers

WHEN sterling strengthens on the foreign exchanges and the dollar declines, it bodes badly for all areas of UK manufacturing. But for the most exposed areas, such as clothing, it bodes very badly indeed.

A strong pound makes it more difficult for UK manufacturers to compete in overseas markets. And the decline of the dollar – and of the Far Eastern currencies linked to it – threatens to increase the influx of imports from low-cost competitors in Hong Kong, Taiwan and South Korea.



So far the clothing industry has coped remarkably well. The flow of imports accelerated in 1987, but not as fast as manufacturers had feared.

Moreover, exports sported encouraging growth. As a result the industry managed to maintain output – in real terms – at just under £4.5bn last year.

Nevertheless, there is still an air of uncertainty among the UK's clothing manufacturers, according to Mr John Wilson, director of the British Clothing Industry Association.

He says manufacturers are well aware that the economic environment will be even more competitive this year.

The British clothing industry is fragmented in structure: ranging from big groups – such as Courtaulds and Coats Viyella – to tiny sweat shops in the back streets of the inner cities.

It faces international competition at every level. The higher quality manufacturers compete against the West Germans and the Italians. But the chief source of competition comes from low-cost suppliers in the Far East, which have been ousting UK companies from the commodity clothing market since the 1960s.

As the pound strengthened against the dollar last year, the influx of Far Eastern imports increased. One reason was that UK clothing became less competitive than goods made in the Far East.

Another was that Far Eastern producers diverted exports originally bound for the US to more lucrative European markets such as the UK.

By the end of 1987 the value of clothing imports had risen by 16 per cent to £2.8bn according to the BCIA. But the industry benefited from a relatively buoyant home market and increased its exports, by 16 per cent to £1.4m. Thanks to this, output remained stable, as did employment at around 225,000.

Other areas of manufacturing, which are equally exposed to the ebbs and flows of international trade, were rather less resilient.

The shoe industry, which is similar in structure, also suffered from a flood of low cost imports from the Far East last year.

But British manufacturers failed to offset lost sales in the home market with exports and output fell. The industry is now blighted by job losses and short-time working.

The simplest explanation for the comparative strength of the clothing sector is that, unlike footwear, it is protected by the complex web of import quotas created by the Multi-fibre Arrangement.

These quotas effectively shelter the industry from sudden surges of imports.

Yet clothing manufacturers can also claim structural advantages. In the 1980s both clothing and footwear have benefited from advances in new technology which have enabled Western producers to improve productivity.

But the pace of technological change has been far faster in clothing: where industry productivity has risen by 40 per cent since 1980.

These advances have enabled UK manufacturers to become faster and more flexible in their response to the retail sector, thereby becoming much more competitive with the Far East and other Europeans.

Whether the clothing companies will be as resilient this year remains to be seen. Quotas will again offer a measure of protection, but they cannot prevent an increase in imports from depressing prices, thereby imposing pressure on profitability.

Some of the multiple retailers have already begun to buy more clothing overseas. Even Marks and Spencer – long established as the British industry's biggest customer buying about a quarter of output – intends to increase its overseas sourcing by importing more clothing.

M and S says that the proportion of clothing sourced in Britain – now just under 90 per cent – will fall by a "few percentage points." Nevertheless, the value of clothing it buys in Britain will continue to grow, and it will remain, by far, the industry's biggest customer.

In 1987 the industry helped to counter the increase in imports by increasing its own exports. But the strength of sterling also casts a cloud over export prospects.

Most companies accept that the export environment will be more competitive this year. Yet the successful exporters tend to be companies – such as Aquascutum in clothing and Dawson International in knitwear – which sell "classics" in less price-sensitive market niches and are confident that they can combat adverse exchange rates.

However, with the uncertain outlook for consumer spending, the UK's clothing manufacturers are bracing themselves for a tough year.

Boots and Hoechst plan drug venture

BY MAGGIE URRY

A 50-50 joint venture to build a $35m (£18.8m) factory in the US to make and market bulk ibuprofen, has been set up by Boots, the drug's discoverer, and Hoechst Celanese, the US subsidiary of the West German chemical group, which has developed a cheaper way to manufacture it.

Bulk ibuprofen is the raw material for a painkilling drug, used in the treatment of rheumatoid arthritis and osteoarthritis. It was discovered in the 1960s and is now out of patent.

Demand for the drug has been growing rapidly. The use of the raw material has risen by 25 per cent over the past two years.

Further growth in demand, of at least 5 to 10 per cent a year, is expected which will require extra production capacity.

The US plant will come on stream in 1991. When running at full capacity it will make 2,500 tonnes a year of the raw material.

This powder, which sells at $25 a kilogramme, will be sold to tablet manufacturers.

According to industry estimates the worldwide market for the raw material is 5,000 tonnes, making it the world's third largest drug in tonnage terms. Of that total, half is sold in the US, hence the decision to build the new plant there.

Boots has a 3,000-tonne-a-year ibuprofen facility at its British base in Nottingham, from which it supplies UK and overseas markets.

Since 1983 ibuprofen has been available over-the-counter in the UK and US as a rival to aspirin and paracetamol.

Boots sells it in the UK under the names Brufen (on prescription) and Nurofen (over-the-counter).

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Atomic Energy Authority chief warns of job losses

BY DAVID FISHLOCK, SCIENCE EDITOR

AS MANY AS 1,000 jobs could be lost in the UK Atomic Energy Authority over the next two years as a result of government and nuclear industry cuts in research contracts, Mr John Collier, authority chairman, has warned its 13,000 staff.

Mr Collier said the cuts could be as high as £25m to £30m each year for the next two years. The authority has an annual income of more than £400m at present.

Both the Department of Energy, its main source of funding, and the electricity supply industry were expected to reduce their research requirements, Mr Collier said.

The energy department is understood to be responding to government research strategy and focusing more publicly-funded research on targets expected to be exploited commercially during the 1990s.

The authority's Springfields Laboratories near Preston, Lancashire, are to close, with the loss of up to 350 jobs, following the review of the authority's Northern Research Laboratories, which expects a fall in income of £8m a year.

Mr Collier has told staff he is optimistic about the possibilities of finding new sources of income, one being a privatised electricity supply industry, which would widen the range of customers available for its research and development.

"We must respond to this more competitive environment if we are to thrive," Mr Collier told the staff newspaper, Atom News.

The electricity supply industry provides about 16 per cent of authority funding.

Mr Collier said that under privatisation it would get a better return for the electricity generated by its two demonstration nuclear plants, at Winfrith in Dorset and Dounreay in Caithness.

The 100MW steam generating heavy water reactor at Winfrith, although 20 years old and abandoned as a potential commercial system, has given record performances as a power station.

British Nuclear Fuels will lose 250 jobs at Capenhurst, Cheshire, following the decision to delay an uranium enrichment plant.

The company hopes to revive the plans in two or three years, when world demand for enrichment – part of the nuclear fuel manufacturing process – is expected to pick up again.

Mr Peter Roberts, BNFL's general manager at Capenhurst, said there was no threat to Capenhurst's future. It had a one-third share of an order book worth about £2.5bn, divided equally between the three nations participating in Urenco, the Anglo-German-Dutch enrichment group.

Kent to apply with northern French region for £1bn EC aid

BY ANDREW TAYLOR IN LONDON, GEORGE GRAHAM IN PARIS AND WILLIAM DAWKINS IN BRUSSELS

KENT COUNTY Council and the regional council of Nord-Pas de Calais, in northern France, propose jointly to apply to the European Community for up to £1bn in aid. They say the money will be sought to pay for the infrastructure and retraining needed *to cope with the impact of the* Channel Tunnel.

A formal application is expected to be presented by the two councils to EC officials next month. It is likely to seek aid spread over 10 years.

Officials in Brussels described a joint venture by regional authorities of different countries as "innovative and unusual." The proposal would be viewed with great interest, they said, but would have to be supported by the UK and French governments.

Kent has to overcome several hurdles if it is to qualify for the £400m of aid it wants for road and rail projects, improvements to Ramsgate and Folkestone harbours, work on Dover town centre, and training.

It qualifies for the EC's social fund, but not for the EC regional fund, which is the normal provider of cash for infrastructure. A modification to fund rules is under negotiation, which French officials say may allow Kent to submit an application.

The council might also obtain money from an infrastructure fund proposed by the Commission, but the establishment of this is being blocked by the UK and Denmark.

The two authorities may also have to overcome the objections of other regions, which could say EC aid should be directed to areas in greater need. Local authorities in depressed areas such as northern England and Scotland in particular might be expected to object if Kent, which is more prosperous, were to receive large sums of money.

However, Mr Tony Hart, leader of the Conservative-controlled Kent council, said eastern parts of the area, to which grants would be targeted, had high unemployment. Improved communications in the county would also assist other parts of Britain using the tunnel, he said.

Nord-Pas de Calais was much more depressed and was larger than Kent so would need more aid. This could take the total package sought to about £1bn.

Mr Hart said the two authorities, through closer co-operation, planned to create a new Euro-region which would straddle each end of the tunnel. They would complement each other rather than compete for the same kind of jobs and investment.

Nord-Pas de Calais has an unemployment rate of about 13 per cent.

Investment rules 'too legalistic'

BY CLIVE WOLMAN

THE NEW investor protection system, most of which is due to come into force on Friday, has been set up on legalistic principles without analysis of the costs and benefits, according to a booklet published today by the free-market-oriented Institute of Economic Affairs.

Mr Centro Veljanovski, IEA research and editorial director, says that the report drawn up by Professor Jim Gower between 1981 and 1985, which provided the basis for the new system, "is indicative of the narrow approach characteristic of the English lawyer. Gower, as a professional company lawyer, had little familiarity with economics. He therefore felt confident in dismissing consideration of the economics of his proposals. . ."

The Gower report failed to understand the economics of financial markets, Mr Veljanovski says, leading to a "cavalier disregard for issues of costs and the effects on the competitiveness of the UK financial sector."

The US legal system's concept of fraud in financial markets, draws heavily on the economic literature which emphasises the efficiency with which those markets reflect all available information in the prices of shares and other assets. But the Gower Report claims that market efficiency may have to be sacrificed for more investor protection whereas, says Mr Veljanovski, the US conclusion is that market efficiency ensures investor protection.

Professor Charles Goodhart, of the London School of Economics, lists five types of costs arising from the new regulatory structure: running the regulatory organisations, financing the compensation fund, the costs to firms of compliance, the risks of reduced competition and the stifling of innovation. He argues that the lengthy rulebooks have gone well beyond the minimum necessary to provide reasonable investor protection and are likely to impose excessive costs.

Professor John Kay of the London Business School says the form of self-regulation practised by most UK professions is not an encouraging precedent for the new investor protection system, as it has been used to restrict entry and preserve cartels.

Ms Kate Mortimer, former director of policy at the Securities and Investments Board, the chief regulatory overseer, argues that any kind of cost-benefit analysis of regulation would probably have been worthless because of the number of unquantifiable factors, and in addition the City never pressed the Government to fund such an analysis.

Many of the compliance costs, for example the setting up of "Chinese walls" to prevent flows of sensitive information between different departments of the same institution, would have been incurred anyway to reassure clients rather than regulators, she says.

Financial Regulation - or Over-Regulation? IEA, 2 Lord North Street, London SW1. £5.00.

Improved protection for public, Page 22

Pension funds 'face storm clouds on horizon'

By Eric Short, Pensions Correspondent

PENSION schemes will continue to produce substantial surpluses in the immediate future and companies will be able to continue to take holidays on contributions, according to Mr Tom Ross, a partner with Clay & Partners, consulting actuaries.

In the longer term, however, there were storm clouds on the horizon, Mr Ross told the annual conference of the National Association of Pension Funds.

Mr Ross said the stock market crash last October was an irrelevance because actuaries did not value the assets of pension schemes on current share prices, but by discounting future dividend flows. The key factor in determining pension fund solvency was current and future dividend growth.

Dividend growth had been extremely buoyant in 1987, particularly in the second half, Mr Ross said. Dividend increases had climbed much faster than price rises during the year. This tendency was even stronger in the first quarter of 1988, when dividends grew by 4.1 percentage points more than the rise in the Retail Price Index.

All indications were that such dividend growth would continue strongly over the next couple of years.

He suggested that surpluses would continue to emerge when actuaries made their next valuations of pension schemes.

Last year was the first time that overall contributions paid into pension schemes fell below total benefit payments.

Although he expected this to continue during the next few years, over the longer term, Mr Ross was more pessimistic.

Pension funds had grown in size since the problems last seen in the mid-1970s, when the average scheme was just larger than a company's annual payroll: now they represented about 4½ times payroll.

He predicted that if there was a repeat of the experience in the mid-1970s, when dividends fell in real terms, current surpluses could be replaced by deficits of around 50 per cent of payroll; and in extreme cases, the deficit could rise as high as 100 per cent of payroll.

In such an event, Mr Ross reminded delegates, a 1 per cent or 2 per cent increase in company contributions would not solve the problem.

In particular, Mr Ross felt that much more attention would have to be given to matching the assets of a pension scheme with its liabilities.

● Many companies are having second thoughts on their original hard line on staff opting for personal pensions, according to a survey by Reward Retirement Services, the consultancy firm.

A "good quarter" of the 100 companies surveyed said that they had revised their original plans, and others admitted they were having second thoughts.

Retirement & Pensions Practice 1988. Reward Retirement Services, 9, Savoy St, London WC2R 0BA. 01-379 6515. £75.00.

Peter Riddell on possible Lords opposition to the community charge

Tax flagship faces rough passage

'The community charge is in the sole gift of the Commons as it now exists,' insists Lord Hailsham

"I AGREE with the social security changes, apart from the odd wrinkle which we can easily sort out, but I regard the poll tax as fundamentally flawed politically," said one senior minister last week, reflecting the views of many of his colleagues.

The current coincidence of Conservative backbench unease, and revolts, over social security and the poll tax, or community charge, has obscured differences between them.

There is a general acceptance on the Conservative side of the principles behind the social security changes – simplification, targeting on the less well-off and removing disincentives to work.

In spite of Labour's effective use of anomalies and cases of undoubted hardship, ministers believe that many of the problems can be ironed out, with time and money. In particular, the £6,000 cut-off point of personal savings when pensioners lose entitlement to housing benefit looks certain to be raised to £10,000, sooner or later.

The poll tax is a more serious problem. Ministerial speeches in support often seem to be spoken through clenched teeth, barely disguising misgivings.

Worries cover both the principle of a flat-rate charge and the mechanics of introducing a new tax in April 1990 (in England and Wales), barely a year before a possible general election. Ministers are worried that a leading member of Labour's Shadow Cabinet might be right in saying: "At last she's made a big political mistake."

The bill introducing the charge will leave the Commons tonight with unenthusiastic backing from many Tory MPs, and an uncertain future in the Lords. The debate of the past few days about how far their lordships can, and might, amend the bill has tended to confuse three separate points:

● First, constitutional law. The House of Lords is legally debarred from amending measures certified by the Speaker of the Commons as money bills, notably the annual finance acts affecting nationally raised taxes. However, this bill is less straightforward. It is for the Speaker of the Commons to judge whether any amendments by the Lords constitute an "intolerable" infringement of the privileges of the lower House. This arises when a financial or ways and means resolution is required.

Opposition parties were drawing comfort last week from a ruling by the Lords clerks that, subject to the final say of the Commons, they would accept any amendments which were in order. In particular, the clerks said the Commons had generally waived their privileges regarding amendments to bills sent to the Lords dealing with local rates.

However, Lord Hailsham, the former Lord Chancellor, has differed, arguing that "the community charge is in the sole gift of the Commons as it now exists." He said that this privilege, separate from the money bill provisions of the 1911 Parliament Act, and dating back to resolutions of 1671 and 1678, had long been regarded as applying to rates and other local impositions as well as taxes.

● Second, constitutional practice. Ministers have argued that it would be against current conventions for the un-elected Lords to change the heart of a bill which had been approved by the Commons and had featured recently in the election manifesto of the governing party. To do so would go beyond the role of the Lords as a revising chamber.

However, several peers have questioned the significance of the doctrine of the mandate and argued that the Lords can act given the substantial reduction in the Government's normal majority over this bill.

● Third, political prospects. There is an overlap here with constitutional convention as ministers may be able to sway some doubters by pointing to the importance of the bill – the flagship of the Government's programme, according to Mrs Thatcher. By convention there is no vote on the second reading of a bill.

However, some peers may support an amendment which at least forces the Commons to look again at whether to have a flat-rate or banded charge. The chances are that the votes will be high and close on such "ability-to-pay" aspects. But the Government is more likely to be defeated on secondary features such as the exemption of groups like student nurses.

The snag for the Government is that these arguments come at the same time as the equally controversial education reform and housing bills are going through the Lords.

The Captain of the Gentlemen at Arms, Lord Denham, a political thriller writer, and his fellow government whips in the Lords, look like having a busy summer phoning round the stately homes and City boardrooms to keep their lordships away from Ascot and Wimbledon in support of Mrs Thatcher's revolution.

Labour squares up for battle

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR Party has begun to look and sound in parliament "like an army that is confident of both its battle plan and victory," Mr Roy Hattersley, the party's deputy leader, said in Birmingham yesterday.

This was among a series of weekend speeches by leading members of the Shadow Cabinet capitalising on Conservative divisions and claiming Labour had taken the political initiative.

Mr Tony Benn, who is challenging Mr Neil Kinnock for the Labour Party leadership, yesterday appealed to all trade union executives to consult their memberships before deciding which candidate to support.

He has written to the general secretaries of all unions affiliated to the party. This is also the view of the party leadership. Guidelines on methods of consulting party members will be considered by Labour's national executive on Wednesday.

Mr Hattersley said that since Christmas Labour had begun to win the support of voters because "we have behaved like a disciplined and highly competent opposition."

He said Labour had also "abandoned the idea that a socialist programme is no more than a collection of slogans. We are working on details rather than dogma. We look like a party of the 1990s and of the years beyond."

Similarly, Mr Gerald Kaufman, Labour's Shadow Foreign Secretary, said in Manchester that Labour was "beginning the great climb back. Labour is now poised for further advance provided that we remain united and do not allow ourselves to be diverted from fighting the Tories and explaining our own positive policies."

Mr Bryan Gould, Labour's shadow trade and industry spokesman, said the race to succeed Mrs Thatcher had begun. Government popularity was in decline, he said. "No wonder the knives are out." However, Mr Gould warned that Labour had to earn the right to lead public opinion. It had to show resolve and be seen to be united.

In a reference to last week's suspension of Labour MP Mr Ron Brown, Mr Gould said: "Random attacks on some of the quainter items of parliamentary furniture do not help. Being offensive to the Speaker does not help."

He also criticised Mr Brown's hard-left supporters, implicitly those party members who reject Mr Benn, although without naming him. He said: "Implying that kamikaze tactics are somehow less opposed to this Government does not help. Clever rhetorical speeches in defence of such self-indulgence do not help."

Air traffic staff call for urgent action on safety

Financial Times Reporter

AIR TRAFFIC controllers yesterday warned of a catastrophe in British air space unless safety is improved.

They called on the Government to take urgent action over training and working conditions, but laid the blame squarely with the Civil Aviation Authority.

"Requiring controllers to operate overloaded sectors to reduce delays is no better than allowing ships to sail with the bow doors open," controllers said in written evidence to the Commons' Transport Select Committee inquiry into air traffic safety.

The CAA claims that the system is improving, said Mr Bill Brett, assistant general secretary of the Institution of Professional Civil Servants, but "the real number of incidents and air misses increases steadily."

The CAA plans to spend £200m updating equipment by the 1990s and will recruit 80 cadets this year – twice as many as last year. But controllers fear the new equipment will not meet demand and claim that recruitment at the present level for the next five years would still leave them understaffed.

A CAA spokesman said the authority would put its case after giving evidence to the Commons' committee on Tuesday. Controllers work in teams and their hours are limited by shift patterns. The CAA is negotiating with unions over flexible rostering.

"We recognise that people are busy, but we have introduced flow management . . .limiting the amount of flights at any one time," he said.

Briton given Cray 'supercomputer' post

BY ALAN CANE

THE WORLD'S leading commercial "supercomputer" manufacturer, Cray Research of the US, has chosen a Briton, Mr Neil Davenport, to manage the volume production of its most powerful and advanced machine, the Cray 3.

Mr Davenport, 46, has been managing director of Cray Research's UK subsidiary for seven years. During this time the number of Cray supercomputers installed in his area has risen from three to 26. He was recently appointed a corporate vice-president, the first Cray general manager to be so honoured.

The Cray 3 supercomputers will be manufactured at the Colorado Springs facility in the US which Cray Research agreed earlier this month to buy from Inmos, Thorn EMI's troubled semiconductor subsidiary.

Cray supercomputers are used for the massive calculations involved in tasks such as weather forecasting and cost analysis. Cray has been the undisputed leader in supercomputing for the past decade, with revenues of more than $687m (£363m) in 1987, but it has recently had to face new competition from the Japanese companies Fujitsu, NEC and Hitachi as well as manufacturers of "minisupercomputers."

In addition, it recently lost one of its principal designers, Mr Stephen Chen, who left to establish a new company with funding from IBM.

The Cray 3 is the latest design from the company's founder, Mr Seymour Cray. It will run up to 500 times faster than a conventional large mainframe while having the dimensions of a small coffee table.

US defence electronics group expands in Britain

BY TERRY DODSWORTH

HARRIS, the US defence electronics group which Plessey of the UK tried to take over a year ago, is expanding its activities in Britain with the establishment of an affiliated assembly operation.

The new plant, owned by MTL Microtechnology, a subsidiary of Cambridge Electronic Industries, is part of a concerted drive to develop Harris's sales throughout Western Europe.

It will be producing semiconductors mainly for the UK military market, an area where Harris sees scope for expansion to help compensate for the slowdown in the US defence industry.

Harris's previous venture in Europe was launched almost a decade ago in France, where it joined with the Matra electronics group to establish a semiconductor plant at Nantes. The company's investment in this joint venture was recently restructured after a period of losses, helping the Harris semiconductor division as a whole to return to profit last year.

Output from the MTL plant, situated at Alton in Hampshire, will be concentrated on specialised high-powered microprocessors, chips which perform the central data processing functions in electronic defence systems.

Many of these semiconductors are already bought from US companies, the world leaders in microprocessor technology.

Harris itself has a thriving business in the UK, but it believes that this can be expanded through local production. It will also be helped by its recent achievement in gaining the top level of UK standards approval for its most sophisticated chip, making it the first choice for many applications.

The company intends to use its new platform in Britain for a more determined push into Western Europe while looking for other opportunities to expand.

Consultancy in Japan link

BY PETER MARSH

SCIENTIFIC Generics, a fast-expanding technology consultancy based in Cambridge, has signed an agreement with C.Itoh, the Japanese trading house, to transfer ideas from the UK business to Japanese companies. C.Itoh has also taken a stake of 0.3 per cent in the Cambridge company.

Mr Gordon Edge, chief executive of Scientific Generics, said he hoped the deal would help his consultancy to gain work with Japanese clients.

Scientific Generics started up in 1986. It has annual sales running at about £4m and a staff of 85, who own 80 per cent of the shares in the company.

It specialises in working with big companies in improving their commercial performance through applications of new technologies in areas such as materials, electronics, telecommunications and life sciences.

Fowler increases allowance on job training scheme

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

MR NORMAN FOWLER, the Employment Secretary, yesterday attempted to head off union opposition to the Employment Training programme by increasing allowances for trainees on the New Job Training Scheme by £10 a week.

Mr Fowler's decision to increase allowances from mid-May means trainees on the scheme will be paid in line with the controversial allowances due to be paid to participants on the Employment Training programme. The Government's decision that trainees should be paid an allowance linked to their benefit entitlements rather than local wage rates has been one of the main points to which unions have objected.

The decision will turn the NJTS into a test case for whether the schedule of payments will encourage the unemployed to take up places on *Employment Training*.

Ministers hope the increased payments will improve the take-up of places on the NJTS. The scheme was launched in April last year with the aim of providing about 125,000 places a year at an annual cost of £185m.

However, only about 30,000 people have joined so far.

Participants in NJTS are paid an allowance linked to their benefits with some additional payments to cover travel and other work-related expenses.

In the light of the meeting today of the TUC's education and training committee and employment policy committee, which will consider whether the unions should co-operate with the Employment Training scheme, Mr Fowler underlined the Government's determination to press ahead with the programme.

"The Employment Training Programme was the result of unanimous recommendations of the Manpower Services Commission. The commission includes three trade union commissioners and I accepted their report in full," he said.

"We are determined that this programme will succeed and there is no question of us giving up on this objective. We are not prepared to turn our backs on the long-term unemployed."

Mr Fowler said the programme was intended to provide the unemployed with training to update their skills.

Charles Leadbeater assesses the arguments over TUC involvement in the employment training programme

Unions approach watershed over jobless adult training

TRADE UNION leaders will gather this morning for a meeting which could determine not only the future of union involvement in the Manpower Services Commission but also the character of government provision for the adult unemployed.

The TUC's education and training committee and employment policy committee will discuss whether the unions should co-operate with the planned £1.4bn Employment Training programme, due to be launched on September 5, which is intended to unify about 30 schemes for the adult unemployed.

MSC officials believe union opposition would make it almost impossible for the scheme to provide training with employers for 600,000 unemployed adults a year. Union opposition would seriously limit the places available with large manufacturing companies and local authorities.

The unions leading opposition to the scheme – the Transport and General Workers Union, Nalgo and Nupe, the public services unions – argue that without concerted opposition, the Government will only make the most marginal improvements to aspects of the scheme which worry them.

These are the level of payments for trainees, which will be linked to benefit levels rather than wage rates; the plan to improve training without increasing overall resources; the curtailed role of unions in vetting schemes and the limited employment rights of trainees.

Underlying all these is a concern that the Government may move to reduce the benefits of those who do not participate in the scheme, leaving those eligible with little choice but to take part.

Opponents of the programme believe that, faced with the prospect that Employment Training might become an embarrassing failure, Ministers would be forced to completely revise their plans.

However, TUC officials will warn of the enormous risks of a boycott.

Negotiations last autumn over the programme's design convinced them that the Government would have preferred to introduce a harsher workfare-style programme in which entitlement to benefits would have been tied to participation in training. The TUC will warn that rather being seen to back down in the face of union pressure, the Government would take up the idea of workfare with greater vigour.

In addition, the argument will focus on five more specific points.

Firstly, the TUC will warn that thousands of full-time training jobs in local authorities, colleges of further education and the TUC's centres for the unemployed could be at risk if the programme is scaled down.

The critics' rejoinder is that these risks are exaggerated. The Government will have to run a training scheme for the adult unemployed, and the only question is when the old schemes will be replaced.

Secondly, TUC officials will argue that the scheme was the best that could be negotiated.

Union opposition would seriously limit places available for training

Although trainees will not be paid the rate for the job, the scheme is intended to be a training programme rather than a temporary work programme. On other MSC schemes, which the unions accept, trainees are paid only their social security benefits.

The critics argue this is acceptable for near to full-time training courses, but on Employment Training, participants will spend close to 60 per cent of their time working. For this period, at least, they should be paid according to wage rates.

Thirdly, Mr Norman Fowler has given an assurance that he has no plans to reduce the benefit entitlements of those who refuse a place on the scheme. TUC officials believe this is as far as Mr Fowler could go in assuaging union concern over whether the scheme will be voluntary.

However, critics believe the Government still harbours a wish to make the scheme less than voluntary. In particular, the stricter availability for work tests for the unemployed, which are introduced nationwide today, include a question on participation in training programmes. The critics believe this already establishes the idea that the unemployed have a responsibility to participate in the programme in return for their unemployment benefits.

Fourthly, the TUC believes the unions can improve the programme as it goes along.

Ucatt, the construction union, has for instance negotiated a 6,000-place scheme with the Construction Industry Training Board on which trainees will be paid a "benefits-plus" allowance while they undergo off–the–job –training. This will be followed by a wage-related allowance during 18 months on–the–job –training.

In addition, the TUC will argue that the scheme is likely to be something of a failure, even with union co-operation. A review of the scheme's progress, due to start almost as soon as it is launched, would put the unions in a strong position to argue for additional resources.

The critic's response is that "top-ups" negotiated by unions are disallowed by the scheme's rules; the scheme is so fundamentally flawed the review is unlikely to lead to statisfactory changes.

Finally, the TUC is sceptical of the strength of opposition to the programme. Officials believe many Labour-controlled authorities, which are still counting the costs of their refusal to take part in the New Job Training Scheme, have already entered negotiations to run Employment Training schemes.

With voluntary organisations likely to succumb to similar financial pressures, the unions would be leading a crumbling alliance of opposition, the TUC argues.

The critics argue that on the contrary, the local authorities and the voluntary sector are merely waiting for the unions give a clear lead to the opposition.

But perhaps their strongest card is the ambivalent attitude of employers.

As one senior CBI official said: "The CBI will support the programme, but many employers are very wary of it. They will be asked to pay £5 a day per trainee, although they have no tradition of taking on large cohorts of adult trainees and it does not look like a good quality training programme. If in addition they get it in the neck from their shop-stewards – that will be too much trouble for many employers."

TUC officials recognise they would be unlikely to win a straight vote after the GMB general union decided to oppose the scheme if it came to a vote.

For that reason, the TUC will urge Mr Norman Willis, the TUC general secretary, to be allowed to seek further negotiations with the MSC and the Government. But it seems unlikely that these talks could lead to the kind of concessions needed to create a union majority to back the scheme.

MSC officials acknowledge the scheme was a gamble from the start. Union opposition will make it an even riskier venture.

Unemployment benefit threat over work doubts

BY OUR LABOUR STAFF

UNEMPLOYED PEOPLE will continue to have their entitlement to unemployment benefit suspended if doubt arises over their availability for work. This is in spite of ministerial assurances that their benefits would be reduced only after a thorough review of the case by a specialist adjudication officer.

After the suicide of an unemployed Bristol woman, ministers said decisions on benefit entitlement arising from Restart counselling interviews would be taken only by senior officers rather than lower level claimant advisers.

However, guidance to Jobcentres and unemployment benefit offices on how to implement stricter availability for work tests to be introduced today says people on unemployment benefit will have their payments suspended once serious doubt arises over their availability for work.

● Participants in the Employment Training scheme should be given standardised records of achievement when they leave with the aim of ensuring their training makes a lasting improvement to their position in the jobs market, according to a report published today by Action, the long-term unemployed's pressure group.

It recommends the records of achievement should combine information about the trainee.

Records of Achievement and Employment Training, Action, 100 Park Village East, London NW1 3SR, rice £3.

APPOINTMENTS

Deputy group chief at Royal Insurance

Mr Ian L. Rushton has been appointed deputy group chief executive of ROYAL INSURANCE from May 1. Mr Rushton joined the Royal in Liverpool in 1956. His career includes two years as executive vice president of the US operation and three years as managing director of Royal UK before appointment to his current post as a group general manager of worldwide operations. Royal Insurance is the parent company of the Royal Insurance Group.

★

Mr Garrie L.L. Fuller joins the partnership of S.P. ANGEL & CO., stockbrokers, today.

★

Mr Terry Thomas, managing director of UNITY TRUST BANK, the co-operative and trade union institution, has succeeded Mr Lewis Lee, the bank's founder chairman. Mr Thomas is also chief executive designate of the Co-operative Bank which formed Unity Trust in partnership with trade unions. Mr Gordon Beesley, an executive director, has been appointed managing director (banking). Mr Jim Barge moves up from part-time deputy managing director to part-time managing director (related services) with responsibility for joint ventures. He remains an executive director of the Co-operative Bank, which provides personnel and back-up to Unity Trust under a management contract.

★

Mr James S. Sutcliffe has been appointed chairman of JOHN SUTCLIFFE (SHIPPING).

★

Mr Ian R. Flack has been appointed chairman and chief executive officer of the aviation and aerospace division of ALEXANDER HOWDEN, wholesale insurance broking subsidiary of the Alexander Howden Group. Mr Tony D. Ashby has become chief operating officer of the division. Joining the board are: Mr Robert A. Pincott (Reed Stenhouse, Canada); Mr Joseph M. Rosenthal (Alexander & Alexander, New York); and Mr Rohit K. Desai (AHL Finance). Joining the board of Alexander Howden are: Mr P. Michael Box (non-marine casualty); Mr Richard E.G. Keeley (non-marine property); Mr Jeremy G.P. Swan (non-marine international); Mr Miles R.J. Trotter (Holmes Johnson Lessiter); and Mr Tim Fillingham (marine & energy).

★

Mr Archibald Gillespie, director of finance at Strathclyde Regional Council, has been appointed to the board of the PUBLIC FINANCE FOUNDATION.

★

Mr Geoffrey Nithsdale has been appointed to the board of MAGNETIC MATERIALS GROUP. He is managing director of wholly-owned subsidiary Neosid.

★

Christopher Morgan & Partners has merged with Trimedia Communications AG of Switzerland. Mr Christopher Morgan has been appointed chairman and chief executive of TRIMEDIA COMMUNICATIONS Ltd. in London, and

MR CHRISTOPHER MORGAN

Mr Aloys Hirzel, Dr Paul Klugl, Mr Simon Rostron, Miss Anna Campbell, Mr Alan Plumell and Miss Catherine Blount join the board. Mr Morgan has also been appointed president of Trimedia Communications International AG.

★

AUTOLEASE, Birmingham, has appointed Mr Trevor Jones as managing director. He was deputy managing director, and succeeds Mr John Tustin who has increasing responsibilities as divisional managing director with parent company, BSG International. Mr Tustin remains on the board of Autolease.

★

MEES & HOPE SECURITIES HOLDINGS has appointed Sir Henry Beresford-Peirse as an executive director of Mees & Hope Investment Management; and Mrs Loesje Roels-van Hellenberg Hubar as an executive director of Mees & Hope Securities.

★

SYSTEMS DESIGNERS finance and communications division has appointed Mr Alan Neilson as director of marketing. He joins from Digital Equipment Co., where he was UK marketing manager for the finance and service industries.

First two cities picked for CBI regeneration project

BY HAZEL DUFFY

NEWCASTLE and Birmingham have been selected for a business-led experiment in inner-city regeneration by the Task Force team set up by the Confederation of British Industry in November.

The team's plan is to attract private-sector backing for a "flagship" project which will provide impetus for the development of run-down and derelict areas of British cities. Similar programmes have helped to regenerate North American cities. The recent regeneration of Glasgow is also seen as a valuable model.

Negotiations are well advanced in Newcastle which, if successful, will result in a partnership with the local authority and possibly the Tyne and Wear Development Corporation.

The aim is to respond to the Government's challenge for the private sector to become more involved in inner cities and also to emphasise that this needs to be done by working with the local authorities.

The CBI sees itself as the catalyst for involving big companies and financial institutions. It also wants to show that such projects must be seen to be commercially viable if the private sector is to commit itself financially.

The Task Force, chaired by Mr Tom Frost, chairman of National Westminster Bank, believes the programme has to be launched by a big development which would be a focus of attention locally and nationally, inspire business confidence in Newcastle and Birmingham and unleash money for further developments.

Successful examples of such "flagship" developments are the restoration of the Boston waterfront, the sports stadium in Indianapolis and the concentration of projects in the east of Glasgow.

The Task Force believes such a project must be geared to the employment and training needs of local people and linked to specific economic targets for the city and the region.

The identification of the potential in Newcastle city centre has been carried out by a small team from McKinsey, the consultants, led by Mr Norman Blackwell, formerly an adviser in the Prime Minister's Policy Unit.

The Task Force appointed a local team – Mr Paul Nicholson, chairman of the Tyne and Wear Development Corporation, Mr John Hall, chairman and chief executive of Cameron Hall Developments, and Mr John Goddard of Newcastle University – to work closely with the consultants.

Councils stress role in economy

BY RICHARD EVANS

THE GOVERNMENT is strongly criticised today in a report by the three main local authority organisations for failing to accept that councils have a role to play in local economic development.

Although local authority initiatives had shown evidence of the success and cost-effectiveness, the Government clearly remained unconvinced, the report states.

The recent white paper on the inner cities made no mention of the role of local government in helping businesses to develop, and central government had not yet reached any firm conclusions on how councils should fund such schemes.

It says: "It is disappointing that at a time when government is attempting to tackle the problems of the inner cities and is advocating closer working between the public and private sectors, the future role of local authorities in economic development remains so unclear."

While the average cost per job created by local authorities is about £3,000 to £5,000, case studies in the report show that local authority initiatives can create jobs for as little as £500. By contrast, the average cost per job created by the Government's regional policy was £37,000.

The examples show that many of the initiatives are on a relatively minor scale compared with government projects, but that for an often small outlay, tailor-made services or facilities can be provided for the local business community.

Through case studies, the report shows the way in which councils co-operate with one another, other public sector agencies and the private sector. Local authority efforts are seen as complementary to the assistance provided by the other organisations.

The three organisations – the Association of County Councils, the Association of District Councils and the Association of Metropolitan Authorities – are particularly concerned at the lack of government response to the Widdicombe report's recommendations last year on the future financing of local authority economic development schemes.

Stimulating Local Enterprise – the Local Authority Role. Published by the ADC, ACC and AMA. £5.50.

Ban on leasebacks criticised

BY RICHARD EVANS

NEARLY 150 district council projects worth more than £350m may have to be abandoned because of the Government ban on barter and sale and leaseback deals.

The schemes range in value from under £1m to a £45m housing development in Oxford and a £40m redevelopment of Bournemouth's Pavilion entertainments centre.

While the Government regards some leasing arrangements as legitimate, others – including the sale and leaseback schemes banned by Mr Nicholas Ridley, Environment Secretary, last month – have been used as a way of getting round increasingly stringent spending controls.

The Association of District Councils (ADC) believes that the ban is far too all-embracing and has put in jeopardy dozens of necessary projects. It has urged the Government to give approval for schemes which meet certain objectives, such as housing the homeless.

Information from ADC members shows that at least 65 districts have schemes which will be severely affected by the new rules, which were introduced primarily to stop councils from implementing big creative accounting measures to cover a budget shortfall.

The independent Chartered Institute of Public Finance and Accountancy (Cipfa) said more than a fifth of all new local authority capital financing was coming from leasing arrangements.

The ADC points out that the Government's ban means that all schemes will now count as prescribed expenditure, and thus push councils over their capital spending limits. Yet the schemes, it argues, would allow community assets to be provided without spending ratepayers' money.

The Government had praised joint ventures between local authorities and the private sector, but was now killing them off because a few councils exploited the system, the ADC said.

London road fee 'could aid bus and rail'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE INTRODUCTION of a fee for motorists seeking to drive in central London could raise hundreds of millions of pounds a year to subsidise public transport, according to a draft report on traffic congestion.

The report is being prepared by officers of the London Planning Advisory Committee, which makes recommendations to Mr Nicholas Ridley, Environment Secretary, on behalf of the 33 London boroughs.

It says employment in central London is likely to increase by 10 per cent by the year 2000, making the capital's intense traffic problem "a good deal worse."

The report is believed to suggest several solutions, of which the most radical is a £5 charge for entering congested areas. This would reduce traffic and provide revenue for improved rail and bus services, it says.

The draft report is expected to be delivered to the committee in mid-May and then go out to public consultation before a final version is drawn up in September.

Mr Ridley is not compelled to act on the committee's recommendations. He will come under strong pressure from motoring organisation to resist any move towards road pricing.

Mr Jeremy Hawksley, director of the roads pressure group, Movement For London, said the proposal raised a number of serious issues, including double taxation of motorists and the potential effects on central London businesses.

Hungarian interest in Scottish bus sell-off

By Kevin Brown, Transport Correspondent

IKARUS of Hungary, the world's biggest bus producer, has emerged as a possible participant in a bid for the state-owned Scottish Transport Group, which is expected to be sold next year.

Mr Robert Beattie, chairman of Frontsource, the purchaser of 10 privatised subsidiaries of the National Bus Company, said his group was considering bidding jointly for STG with RI Ltd, a private company which acts as Ikarus's western European representative.

Part of the deal would be an agreement for Ikarus to use STG's engineering facilities to assemble buses for sale in the UK and other European Community countries.

The Government has decided in principle to sell STG but ministers have yet to decide whether it should be privatised as a single unit or split into its operating companies.

Mr Malcolm Rifkind, the Scottish Secretary, is considering an independent report on the future of the company and is expected to make recommendations to the Cabinet on the form of the sale shortly.

The two main operating divisions of STG are the Scottish Bus Group, which operates 3,500 buses throughout Scotland, and the Caledonian MacBrayne ferry company, which operates 28 ferries, mainly in the Western Isles.

Frontsource and RI are believed to be prepared to pay up to £100m for the whole group and up to £70m for the bus operations alone.

STG made a pre-tax profit of £10.7m in 1986, on turnover of £183m but this was after net subsidies of £6.7m to Caledonian MacBrayne from the Scottish Office. The bus group has been profitable in recent years, but is thought to have faced difficult trading conditions in 1987.

The proposed sale of STG is a contentious issue in Scotland, partly because of fears over the future of Caledonian MacBrayne and loss-making bus subsidiaries in the north and Borders.

Frontsource and RI hope to minimise opposition by bidding through a jointly-owned company registered in Scotland. The two companies say STG would have to be reorganised to make it consistently profitable but the involvement of Ikarus would reduce the need for redundancies by providing alternative work.

Ikarus is believed to be seeking a base in either the UK or The Netherlands from which to attack the EC market without facing high import tariffs.

The Scottish plant would be largely an assembly-operation, in which bus bodies from Hungary would be built on chassis and engines from EC suppliers but some Scottish components might be used.

Ikarus signed a five-year deal last year for the assembly of its 400 series buses by Plaxtons, the UK's largest luxury coach-maker.

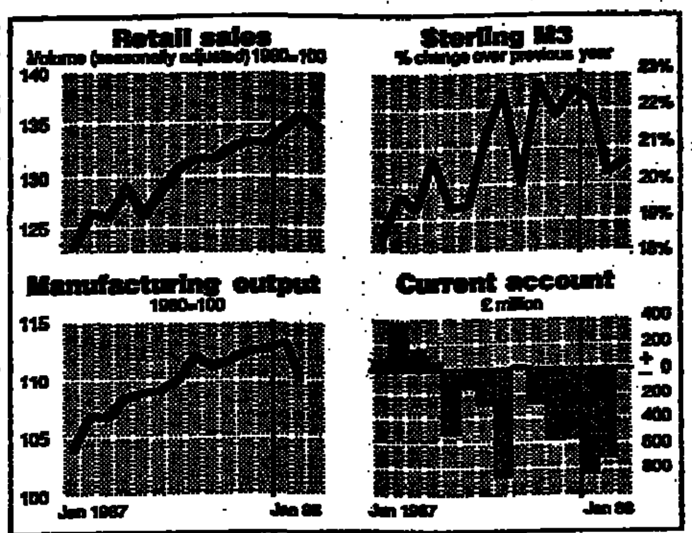
Stagecoach, a small Scottish bus company based in Perth, has also indicated an interest in purchasing STG, and a management buy-out is also being considered.

Philip Stephens assesses the difficulty of measuring economic trends

Official figures that fail to reassure

CATCHING the shifts in momentum of Britain's economy is like most things in economics – easy only with hindsight. However, as the dilemma for official policy over sterling and interest rates intensifies, the Government has rarely been more in need of an accurate snapshot.

This problem is that the paucity of reliable official data (most indicators are subject to hefty revisions) and the lags between changes in, say, the pound's value and in consumption and output, tend to blur the present as well as the future.



Two years ago, for example, Treasury ministers were among those acknowledging a pause in the economic recovery which began in 1981. The slowdown subsequently turned out to have been over long before anyone had recognised it.

The spate of official statistics over the last two weeks is, nevertheless, just beginning to give a clearer picture of how Britain has emerged from last October's stock market crash. The message is not reassuring for those with their hands on the policy levers in Whitehall.

The signs are that the overall growth rate has slowed from the frantic pace seen last autumn. However, the cooling has not been as rapid as many expected and the balance within the economy between consumption and exports has probably shifted further in the wrong direction. The short-term outlook for inflation looks encouraging, the long-term prospects much cloudier.

Domestic demand – and above all consumption – has remained strong. If it is slightly less buoyant than in the third quarter of 1987, it is probably continuing to rise at an annual rate of up to 5 per cent – a pace few economists view as sustainable.

The engine of the consumer boom is the gap between rises in earnings, running at an annual average of 8¼ per cent in the private sector, and retail price inflation of about 3¼ per cent.

The subsequent rises in real disposable incomes are fuelling both a continuing surge in high street sales and the rapid growth in credit demand which is behind double-figure rises in the broad measures of the money supply.

There is little to suggest an imminent slowing. The income tax cuts announced in the Budget will appear in pay packets next month and mortgage interest rates have come down to their lowest level for a decade. Last week's pay award to the nurses also highlights the recent trend towards public sector awards catching up with those in the private sector.

Ironically, the short-term effect of sterling's appreciation in recent months will be to add to pressures on demand by making imports cheaper and consumers wealthier. The seemingly endless house price boom, now beginning to extend significantly beyond the south-east of England, has a similar effect.

Official indicators of output give a slightly different picture. The figures for February, showing a 3 per cent fall in manufacturing production, should be discounted as erratic. However, the underlying pace of growth in output does seem to have slowed – perhaps nearer to an annual 5 per cent than the 6.5 per cent seen last autumn.

A recent slowing in the rate of decline in the official unemployment total and a parallel rise in the number of vacancies point in the same direction.

More encouragingly, evidence from official surveys and from the Confederation of British Industry suggests investment has strengthened significantly. That in turn points to continuing confidence in the prospects for further rises in production.

However, the combination of surging domestic demand and weakening (if still strong) gains in output is at the heart of the Government's policy dilemma. The implication is that deterioration of the trade position since the middle of last year may have been significantly greater than generally realised.

If that is so, the present mix of policy imposed on the Government by financial markets – a strong pound and low interest rates – will accentuate the trend. Lower borrowing costs encourage greater consumption, while a higher pound makes imports more attractive and exports less competitive.

Few economists believe the deficit on the current account of the balance of payments this year will be as high as the £9bn implied by the official figures for January and February. The apparently dramatic shifts in both exports and imports in those months do not square with other evidence. The Treasury's argument that the data have been significantly distorted by changes in customs procedures is probably right.

The official figures for March, due on Friday, are expected to show a significant narrowing of the current account gap. In the very short term, sterling's rise will also contribute to an improvement as the beneficial effect on prices of an exchange rate appreciation feed through much more quickly than the adverse impact on export and import volumes.

What must be worrying the Treasury's policymakers is that even if the actual figures for January and February are wrong, the deterioration in the trade position may still be much faster than that implicit in their official forecast of a £4bn current account deficit in 1988.

That would point to a sharp reversal of sentiment in financial markets later in the year, with a falling pound fuelling the domestic pressures on inflation which are currently being contained by sterling's strength.

None of the evidence is yet conclusive. Further clues will come this week from the CBI's quarterly trends survey of manufacturing, as well as from Friday's trade figures.

It would be ironic, however, if a temporary recovery in the trade position in March were taken by financial markets as a further reason to push up the pound. On current trends it is difficult to question the Treasury's own assertion that sterling's rise is unsustainable.

Construction 'to rise by 8%'

BY ANDREW TAYLOR

BUILDING MATERIAL producers expect the UK construction boom to continue at least until the end of this year.

The National Council of Building Material Producers now expects construction activity to repeat last year's rise in output of 8 per cent – the highest annual increase since the mid-1960s.

At the end of 1987, producers forecast that growth this year was likely to slow to about 5 per cent.

The council said the pace of activity had not slackened in spite of previous fears that last autumn's sharp fall in share prices would damage confidence. Good weather so far this year had also helped building work.

Regions other than south-east England were benefiting from increases in construction activity, the council said. This trend was likely to continue as the focus of investment moved away from the relatively crowded and expensive south-east.

"The private sector is expected to be the primary source for construction growth, as it was last year. Private housing starts are forecast to rise to about 195,000 with strong growth expected to spread outwards from the south-east," the council said.

"The rise in output in the commercial sector will continue to be fuelled by high levels of building in the office and retail markets."

It added that some developers might try to bring work forward in a bid to beat the possible introduction of value added tax on new commercial construction. Workloads would also be boosted by the Channel Tunnel project which started earlier this year.

It is forecasting a further 1.5 per cent increase in construction output next year, followed by a 1.5 per cent decline in 1990.

Barratt plans business scheme package

BY ANDREW TAYLOR

BARRATT Developments is poised to become one of the first of the large housebuilders to take advantage of plans to allow private landlords to qualify for tax relief under the Business Expansion Scheme (BES).

Barratt plans to sell specially developed packages of properties to BES companies investing in privately rented property. It proposes to offer back-up expertise and financial advice to help launch ventures.

Barratt has had discussions with companies which devise and promote BES schemes and says it has identified a series of sites which could be developed for BES companies.

Mr John Swanson, group managing director, said he expected the first few projects to be outside London because of high house prices in the capital. Later projects would be undertaken in London, probably involving refurbished properties.

Under arrangements announced in the Budget, BES companies will be able to set against tax any purchases of residential properties up to a total value of £5m a year.

Houses and flats would have to be let to tenants under assured-tenancy agreements and cost no more than £125,000 in London and £85,000 elsewhere in order to qualify for the concession.

BES Investment Research forecasts that investment in BES residential schemes could be £300m to £500m during the next 12 months.

This compares with £190m invested in all types of BES schemes in 1987/88.

Eating out 'near top of menu' for leisure activities

By David Churchill, Leisure Industries Correspondent

EATING OUT has become one of the fastest growing leisure activities according to two surveys of the catering market published today.

Men are still expected to foot the bill, although often women choose the restaurant.

Eating out, according to analysts Marketing Strategies for Industry, has recovered from the recession of the early 1980s to become one of the most important leisure sectors.

MSI calculates that about 7.7bn meals were consumed outside the home last year, 21m meals a day. In value terms this totalled £13bn, an increase of 8 per cent on 1986.

The average cost of eating out was about £7.50 per person last year whereas in 1981 it was £4.50.

Another survey, published by the Berni restaurant group and based on interviews of more than 1,000 adults, shows that about 44 per cent of the population eat out at least once a month.

When a man and woman eat out together, about 53 per cent of men expect to pay the bill compared with 5 per cent of women.

Catering in the UK; MSI, 32, Mill Green Road, Mitcham, Surrey. £45.

These companies broke with tradition by asking us to manage their projects.

Normally, they would have looked for a traditional contract.

If they'd been fettered to the past.

But they knew that today's complex buildings have made traditional contracts obsolete.

So they naturally didn't want one.

What they wanted was management; a way of monitoring their complex building projects from concept to completion. They wanted to build fast, while keeping quality up and cost down. And they wanted plenty of room for decision-making, as late in the project as possible.

They asked us to manage their projects.

So what is our untraditional approach?

Well, for one thing, we don't bid on your project. Instead, you hire us for a fixed fee to manage it. In the package you get all the specialists, data programs, administration, skills and experience you need for your building project – just as if your own company was a fully-fledged building project manager.

We're your partner from when your project starts, all the way to completion.

We help you cut costs dramatically. We cut project time by many months – sometimes even a year or more.

It's these opportunities which attract intelligent companies, like IBM, Canon, Astra, Scandinavian Airlines (SAS), Norsk Data...

How do we save time?

Normally, you go through a lengthy design and tendering phase before you can actually start building.

We offer you a short pre-project phase, but you still get everything you need to make your investment decision.

All detail designs are made while we are building. We make the decisions that are needed, when they are needed. It is quite feasible, after all, to decide on the roof construction while building the foundations or erecting the structure of your building.

It's this simple approach that attracts intelligent companies.

How do we save money?

The shorter project time automatically means you save money; capital costs, in particular, are reduced.

We make sure you're integrated as far down into the building process as possible. Your project is broken down into a large number of contracts, which we buy for you from competing contractors. You only pay net prices.

You no longer get just five or six lump sum bids for your project, but several hundred bids for all the different parts.

And it's easy to cope with the changes along the way.

Our system makes contractors active partners, rather than passive suppliers. They are able to influence their own design and construction work. Not only does this save money. It also improves the quality of your project, which means reduced lifetime costs for your building.

What is our incentive?

We get a fixed fee. So why should we work like beavers to meet budgets and time schedules?

We seem to have chosen a pretty tough and unrewarding way of making money.

This is not so. We are professionals. Our satisfaction comes from participating in the creation of functional, yet beautiful buildings – completed on time and within budget.

That's what we're like.

If you find that hard to believe, it's very simple to check our story. Our list of references includes everyone we've ever built for.

Why did we come to the UK?

We believed our method would have a future here. Four years in the market have shown we were right.

Now, we're a growing British company eager to show our merits.

We know that an advertisement isn't enough to convince you. But if you have read this far, why not contact us for a meeting?

Especially if you're responsible for making the right building project decisions. We'll show you how our method saves you time and money, while you retain ultimate control.

We'd be happy to manage your next building project.

There is one condition, though.

You'll have to make a break with tradition.

Norsk Data's new head office in Newbury.

SAS's new head office outside Stockholm.

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Your professional building partner

Åke Larson Construction Ltd., Kingsgate House, 536 King's Road, London SW10 OTE. Telephone: 01-351 2211.

UK NEWS — EMPLOYMENT

Local authorities meet to discuss industrial strategy

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

LOCAL AUTHORITIES will meet today to discuss drawing up a medium-term industrial relations strategy, which includes potentially far-reaching changes to collective bargaining covering hundreds of thousands of local government workers.

The move has been prompted by the pressure on traditional collective bargaining structures by the Government's compulsory competitive tendering legislation.

However, the conference, convened by the Local Authorities' Conditions of Service Advisory Board (*Lacsab*), will emphatically reject any moves towards regional pay scales or entirely local negotiations.

A resolution for the conference, drawn up by Lacsab officials after lengthy consultation with more than 160 local authorities and local government associations, says there is "virtually no support in local government for abandoning national negotiating arrangements in favour of regional or local negotiations on these matters." Only eight of 158 authorities said they were ready to negotiate locally.

However, both the Association of County Councils and the Association of Metropolitan Authorities are likely to support moves to allow greater flexibility within national agreements. The Lacsab summary of responses to the consultation exercise shows that 144 authorities supported greater flexibility within a national pay and condition framework.

The AMA's *submission* to the conference says: "We cannot allow atrophied national bargaining structures which inhibit necessary change at local level."

The ACC submission argues for a core national framework on pay and basic conditions which would allow authorities flexibility on a range of issues to adapt to their local needs.

It seems likely the conference will support a second resolution which calls for national agreements covering chief officers, white-collar staff, and manual and craft employees to be simplified.

It says the number of bargaining groups should be reduced. The Society of Local Authority chief personnel officers argues for the rationalisation of employer representation. It says "the present machinery is cumbersome, it lacks cohesion, and makes communications and consultations with local authorities very difficult."

The resolution says the national agreements should be reduced in scope to allow authorities greater local discretion on a range of working arrangements.

Lacsab's summary says authorities want greater flexibility on working time, premium payments, performance-related pay and bonus arrangements, and minor conditions of service.

Thames Television seeks to cut 200 jobs

By Raymond Snoddy

THAMES TELEVISION, the largest ITV company, will tell staff tomorrow that job cuts of about 200 are required. Thames is the latest of the ITV companies to announce plans to cut costs.

Mr Richard Dunn, managing director, will outline proposals at a staff meeting, coincidentally on the day the Independent Broadcasting Authority announces its policies for the future of commercial television.

Thames, which employs 2,300 people, will propose multi-skilling, more flexible working and early retirement for those aged 55 and over.

Mr Dunn, who warned five years ago that ITV companies face a more competitive future, hopes the package will not involve compulsory redundancies.

Thames follows a number of other ITV companies which have recently announced job cuts and changes in working practices, including London Weekend Television and Independent Television News.

Thames has already lost 80 jobs in the past three years while transmission time has been increased by 40 per cent and production by more than 20 per cent.

Call over industrial democracy

BY PHILIP BASSETT, LABOUR EDITOR

LABOUR PARTY leaders should commit themselves to revising proposals on industrial democracy to take account of economic and industrial changes in the 1980s, according to a leading Labour employment academic.

Lord McCarthy, Labour's employment spokesman in the House of Lords, adds that Labour should place more emphasis on the "positive case" for industrial democracy.

In a Fabian Society pamphlet published today, he says that a number of Labour's 1987 general election employment proposals are in need of significant development and extension.

But he concentrates on industrial democracy, which he acknowledges has slipped away from the centre of Labour thinking since the controversy over the Bullock proposals for worker representation in company boardrooms in the 1970s.

Accepting that the primary emphasis of industrial democracy ought not to be concentrated at boardroom level, he proposes statutory workplace-level councils modelled on those in most Western European countries.

Companies would be under an obligation to respond to inquiries about financial forecasts and plans, cost structures and profit margins, productivity ratios, manpower needs and training facilities.

Subject to appeal, companies would enjoy a restricted right to refuse certain categories of information, but there would be a requirement on them to inform councils of proposed or likely closures and intended redundancies.

Lord McCarthy rejects the Bullock idea that industrial democracy should be applied only to companies employing more than 2,000 workers, which, given the grwoth of smaller companies, would "condemn labour's vision of industrial democracy to a steadily shrinking and increasingly atypical fraction of the working population."

Instead, he suggests a new trigger employment level of 500 people, which would cover as much as 50 per cent of the private sector labour force.

If a majority of the workforce voted to exercise its rights to participation, a company would then have to establish a works council.

Worker representatives would emerge through a secret ballot open to both union and non-union members, though unions would retain certain rights to nominate candidates.

● Labour's policy reviews need greater coherence, says a GMB general union submission. The party's policies should be based on the need to extend people's opportunities to exercise more control over their lives.

Even those who have benefitted from the Thatcher Government have experienced a deterioration in their quality of life through a narrowing of opportunity. Social justice and a modern economy will require an adaptable, committed workforce able to contribute in a much fuller way.

The future for industrial democracy, W McCarthy, Fabian Tract 526, Fabian Society, 11 Dartmouth Street, London SW1H 9BN, £1.50.

Usdaw focuses on membership

By John Gapper, Labour Staff

RECRUITMENT of new members rather than campaigns on issues such as Sunday trading must become the priority for Usdaw, the shopworkers' union, Mr Sid Tierney, the union's president, said yesterday.

Mr Tierney's call to the union's annual delegate meeting in Eastbourne reflected the union's decision to make recruitment the theme of the gathering.

The union, which last year announced a rise in membership for the first time in eight years, is conducting a policy review to try to improve its methods of attracting new members.

Mr Tierney said the small rise in membership offered "a ray of light that illuminates the way forward" in the face of a Government carrying out "near-obsessional attacks on trade unions."

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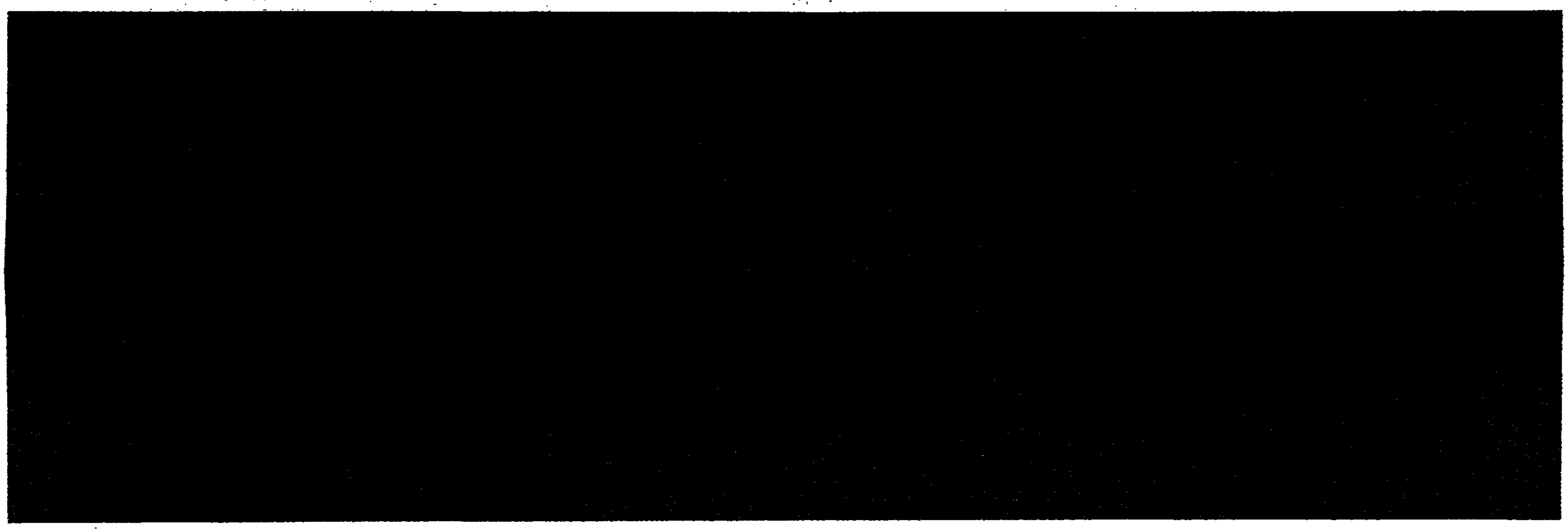

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CONSTRUCTION CONTRACTS

Flood work for Kier

KIER SOUTHERN has been awarded contracts worth in excess of £12m.

The largest is for flood alleviation work to the River Brent in north west London (£3.7m) for Thames Water Authority.

Other projects include an office building in Staines (£3.6m) for McKay Securities, a multi-storey car park in Newbury (£1.7m) for Newbury District Council, an office building in Luton (£1m) for Rushdate; and at Southwark work will commence in May for a service centre for British Gas. Kier Southern is a subsidiary of Kier, contracting division of Beazer.

Geological museum extension

The latest phase of the Natural Environment Research Council facilities at the British Geological Survey site in Keyworth is now underway following the award of a £4m plus construction contract to SOL CONSTRUCTION.

The project involves extending the two-storey palaeontology museum to create a mineralogy department and the construction of a geochemistry and isotope geology building. Construction of the 3,100 sq metre two-storey palaentology block is scheduled for completion in November 1989.

Moorgate Hall development

Contracts totalling £28.5m have been won by the building division of JOHN MOWLEM AND COMPANY. The largest is a £16m order to build Moorgate Hall, an office development for Land Securities at 143-171 Moorgate, in the City of London. The new development will provide 66,500 sq ft of air-conditioned offices on the first to fifth floors, with 16,500 sq ft on ground and basement levels for retail use, including a wine bar. Work comprises demolition of Moorgate Hall and erection of a steel-framed building which will have granite cladding with contrasting sections of powder-coated curtain walling and double-glazed anodized aluminium framed windows. The entrance hall will be marble clad and includes water features. Car parking in the basement.

Preliminary work has started to enable the Museum of London to investigate the site. The reconstruction contract is for 74 weeks.

In Kensington Church Street, London W8, Mowlem is carrying out a £9m redevelopment of the Kensington Palace Barracks site for The Crown Estate Commissioners.

The project comprises construction of one five-storey and one three- storey block which will together provide 80,000 sq ft office, retail and restaurant accommodation. Both buildings will have bored pile foundations and a reinforced concrete frame clad with traditional materials to blend with the surrounding buildings. The front elevation of the larger building will be in a combination of reconstituted stone and brickwork. Work has started for completion in summer 1989.

Mowlem has started work in Raynes Park, south west London, on a £3.5m David Lloyd Tennis Centre which will comprise 12 courts and three cricket nets. Completion is due at the end of this year. The client is Willacre.

ASDA superstore at Bournemouth

A £10m contract to build an ASDA superstore in Bournemouth, Dorset, has been awarded to TAYLOR WOODROW CONSTRUCTION.

Work on the site in St Paul's road in the town centre is underway and completion is scheduled for November. The contract calls for a single-storey superstore, with a sales floor area of 6,200 sq metres, together with preparation areas, a shoppers' restaurant, warehouse, lower ground floor shop units, first floor offices and an enclosed service yard.

This will be linked by travelator to a two-storey, pre-cast concrete car park, providing 700 spaces. The superstore will have a structural steel frame and will have a combination of facing brickwork and curtain wall external cladding.

Tarmac Construction has £9m orders

Contracts worth more than £9m have been awarded to TARMAC CONSTRUCTION. They include a factory at Cwmtillery, Gwent, for the Welsh Development Agency (£1m); altering premises at Manchester, for British Telecom (£470,000); and factory extensions and associated works at Fencehouses, Durham, for TKT Cosy Foam (£220,000).

A number of contracts have also been awarded to the company's contract housing division. They include work on homes at Salford (£2.9m), Weston-super-Mare (£1.5m), Glasgow (£892,000), Leeds (£643,000), Kirkby-in-Ashfield, Nottinghamshire (£409,000), Bromsgrove, Worcestershire (£398,000), Hartlepool (£348,000), and Newcastle-under-Lyme (£306,000).

Tarmac Refurb, the Birmingham-based refurbishment specialist company, has a £292,000 contract for altering and refurbishing offices in Birmingham for British Telecom.

Piling work at Chunnel portals

WHATLINGS (FOUNDATIONS), one of Alfred McAlpine's Scottish subsidiaries, has won a £5.6m contract for work on the Channel Tunnel.

In joint venture with French construction company Fondaco International, Whatlings was awarded the contract by Trans Manche Link for extensive piling work at the English exits to the tunnel at Folkestone.

The contract involves forming more than 1500 piles at the Castle East, Castle West and Sugar Loaf portals of the tunnel.

The piles range in diameter from 600mm to 1500mm. The contract also calls for trial piling and extensive integrity tests.

Work on the contract has started and is due to be completed by the end of the year.

The Channel Tunnel contract marks the latest in a series of awards for the Whatlings-Fondaco joint venture.

It was established last year, following a decision by Whatlings (Foundations) to extend its expertise into new types of foundation work.

Refurbishing 18th century house

A refurbishment, costing more than £2m, of an 18th century house in Clifford Street, London WI, is to be carried out by VAT WATKINS. It is one of a series of contracts totalling almost £18m awarded to the company.

Built in 1719, number 9 Clifford Street has a basement and four upper storeys. In 1946 it was proposed to demolish the house, but it was subsequently made the subject of a preservation order as a Grade II listed building in 1956.

Another contract being undertaken by VAT Watkins is the refurbishment of 121 PRC houses in Barnes, at a cost of £3.5m.

Internal and external refurbishment work is also being handled for the London boroughs of Barking & Dagenham, Ealing, and Tower Hamlets, the City Corporation, East Herts and Hertsmere Councils, the Property Services Agency, and private developers Assured Developments, Priest Marian Holdings, and the Liverpool Victoria Friendly Society.

Warehouse and office complex

HUNTING GATE CONSTRUCTION has been awarded a £2.5m contract to construct an office and warehouse complex that is almost on its own doorstep. The development, for TDP Distribution, is on a site in Wilbury Way, Hitchin, on the same trading estate as Hunting Gate's headquarters. The 70,000 sq ft project includes a two-storey office building linked to a factory warehouse and a workshop in an adjacent single-storey building. Both buildings are traditional steel-frame structures with low maintenance cladding and tinted glazing. Work on the scheme will take 34 weeks to complete. The tight schedule will give TDP early access to the development.

THE MONDAY PAGE

ANTHONY HARRIS in Washington

A duck now officially lame

IF HE WINS in November, Mr George Bush is likely to prove a one-term President, according to ex-President Richard Nixon. This, he explained the other day, is because Mr Bush would be 67 years old at the end of his first term; and America is hardly likely to want another President in his 70s.

Mr Nixon may have hoped that this gratuitous kick in the teeth to President Reagan would earn some headlines for a rather pedestrian interview. If so, he was disappointed; everyone is writing off the President these days. Perhaps it is Mr Reagan's obstinate support for the highly suspect Attorney General which has done it, or simply the fact that the November elections are now top of everyone's agenda. Whatever the cause, the duck is now officially lame.

This is important because it could affect the fate of the Trade Bill. The President is threatening to veto the bill because it contains a clause (complete with adequate loopholes) obliging employers to give 60 days' notice of any planned plant closure. Mr Bush's advisers, including the Treasury Secretary, Mr James Baker, are in something of a ferment over this latest electoral gift to their opponents; and Republicans in Congress are by now more concerned with the next Presidency than the present one. There is thus quite a good chance that a Reagan veto of the Trade Bill would be over-ridden in Congress.

The partial eclipse of Mr Reagan has also lent a good deal more edge than before to the current debate about Reaganomics. This is usefully summarised, with supporting diagrams and tables, in the 1988 report of the Joint Economic Committee of Congress - or rather the reports, since only the Democrats signed the majority report, and the Republicans produced their own rebuttal. The only major point on which the two sides agree is that the fiscal deficit is a menace, and must be reduced. Both leave the gory details of how to do it to the recently appointed bipartisan commission on the deficit; this is expected to provide the next President with a respectable excuse for raising taxes without actually talking about it during the election.

The one man who might not support this exercise is the President. Mr Reagan is said, by those who claim to know about his private conversations, to be secretly very pleased with "his" deficit, since it will cripple any successor who might wish to build up public spending again. Mr Dukakis would certainly face a dilemma, since the Democrats accuse the President both of borrowing too much and of spending too little. They have expensive plans for education, poverty relief, infrastructure spending and public health care, and only defence cuts to put on the other side of the account.

Mr Bush is thought to be worried about poverty, and has adopted education as his banner; but he might be less impeded by the deficit, since he would hope to leave a large proportion of the spending to the states rather than to the federal government; and of course he would not favour socialised medicine. However, since he would probably hardly cut defence at all, the taxpayer might find it hard to tell the difference.

The Joint Report shows that the Democrats are strong on diagnosis. They have commissioned an impressively-written account of what is wrong with the US economy after seven-and-a-half years of Reagan "experiment". Much of the diagnosis is familiar, but there are some shrewd new blows: the most telling, in a week in which inflation suddenly jumped, is the suggestion that years of volatility of every kind have paralysed decision-making.

American industry does indeed seem very slow in responding to the opportunities created by dollar depreciation. There is a short burst of plant investment going on just now, but it has been long awaited, and is expected to peter out later this year; the fear that rising demand will create bottlenecks rather than growth, and provoke inflation, still seems plausible, and is certainly shared in Wall Street.

The Republicans naturally refuse to admit that there is anything seriously amiss, but they are rather more convincing that the Democrats when it comes to suggesting how it should be put right. Their central proposal is to reform the way in which US budgets are drawn up and handled, which is clearly desirable (though it is probably a non-starter as long as the Democrats control both Houses in Congress). They want two major procedural changes: an end to "continuing resolutions", under which major programmes roll on from year to year without any serious review; and a "line-item" veto for the President, which would enable him to block some of the expensive pork-barrel proposals which get attached to every Budget in Congress without stopping the whole fiscal machine in its tracks.

These reforms would have no hope in a Democratic Congress; but would they solve the problem even if they could be introduced? It is hard for a recent arrival in the US to believe it. To anybody who has grown up in a unitary state, Washington seems not so much a seat of government as a market in which local and sectional interests are traded. To judge by the structural mess in West Germany, this has something to do with the federal constitution. When Federal expenditures are being allocated, everyone is a free rider; and well-conceived reforms come out messy, because every loser must be compensated.

President Reagan seems to understand this; one of his central aims has always been to push back spending and taxing decisions to the State capitals (the exact opposite of Mrs Thatcher's approach). He has made a muddle of this by cutting Federal support for State budgets just when the poorer states needed more help; and the richest state of all, his old base in California, is in a terrible mess.

The deficit will not, however, protect Mr Reagan's other pet achievement, deregulation. This is surely a good thing: the US may have been over-regulated in 1980, and the process of regulation always tends to be burdensome in this litigious country.

All the same, an unlikely coalition of greens, consumerists and industrial executives all now agree that deregulation has gone too far.

As long as taxpayers face huge bills for bank failures, and companies remain so frightened of raiders that they go into crippling debt to escape them, or buy in their own shares rather than new equipment, it is hard to disagree. Indeed, it is only lack of time which prevents Congress from starting on the demolition job now, since no one any longer pays any attention to the President.

INTERVIEW

Exemplar of the successful left

Robert Taylor and Sara Webb talk to the Swedish Prime Minister, Ingvar Carlsson

WHEN MR Ingvar Carlsson meets Mrs Thatcher in Downing Street next month it is hard to believe there will be any genuine meeting of minds. Although Sweden's Prime Minister may lack the charisma and acerbity of his famous predecessor Olof Palme, he is a committed socialist with no sympathy for the economics of the free market.

"From an ideological point of view Mrs Thatcher and I differ, but I have met Gorbachev, Deng Xiao Ping and Mr Reagan so I don't think I will have any problems", he says, sitting on a comfortable sofa in his office overlooking the Swedish parliament.

A mild-mannered man, Mr Carlsson is in an enviable position for a socialist leader. He looks like winning the next Swedish general election in September; opinion polls suggest that his ruling Social Democrats have 46 per cent support at the moment. The democratic left may be on the defensive elsewhere in the world, but in Sweden it remains firmly in the driving seat.

Mr Carlsson is convinced that the main political question should be the conquest of mass unemployment much more than the containment of inflation. "It is not for me to give advice but I think it is important for the Western democracies that they should take unemployment more seriously than they do," he says.

Ever since the 1930s Sweden has given the highest priority to keeping the dole queues short. At the moment a mere 1.8 per cent of the country's workers are jobless, one of the smallest figures in the world, and many companies are complaining about the shortage of labour.

It remains an article of faith for Swedish socialism that the right to work should be its most important objective. "Of course, it means higher taxes to pay for it. You don't get the money from above," says Mr Carlsson, who once boasted that the Social Democrats were never afraid to raise taxation. The country spends more than 3 per cent of its gross domestic product on labour market measures like training to make workers more productive and employable. Unlike other socialist leaders in Western Europe, Mr Carlsson appears to have no fear that there will be a shopfloor revolt among the skilled workers over high taxes and egalitarian incomes policies.

In Sweden, it seems, the voters are still prepared to pay the price for building what the Social Democrats call the People's Home. "If I could influence my socialist colleagues in Europe I think we should make unemployment the big issue. Having 20m people in Western Europe wanting to work is an enormous waste of people and resources," says Mr Carlsson. But he is a strong believer in the work ethic, like most Swedes.

The Government's youth team bears some resemblance to the controversial workfare scheme in the US that upsets the British left. It was the way to deal with unemployment among the young, Mr Carlsson says. "Instead of getting a cheque for being without work, you have to work for us for four hours a day in hospitals, nursery schools and other public services. The young on the teams had some training and they were not lost, or getting used to staying at home and sleeping until eleven in the morning." Those who work with Mr Carlsson say he would far rather spend his time thinking about labour market ideas than fraternising with the press or making eloquent speeches, in stark contrast to Palme.

● Personal File

1934: Born in Boras; educated in political science at Lund University and at Northwestern University, Illinois
1958-1969: Assistant in Prime Minister's office
1964: Elected as youngest MP
1967: Junior minister in Cabinet Office
1969: Minister of Education
1972: Joins Social Democratic executive
1973: Minister of Housing
1982: Deputy Prime Minister and first Minister for Environment
1986: Prime Minister

Mr Carlsson's commitment to social democracy dates from an early age. Unlike Palme, he came from the working class. Born in the southern Swedish textile town of Boras in 1934, he was only 12 when his father, a stockroom worker, died. His mother was a low-paid textile worker and Ingvar and his two brothers had to work hard to make ends meet. The welfarist values of Swedish socialism were imbibed by Mr Carlsson through harsh personal experience and not from textbooks.

Today he quotes Professor Robert Solow of the Massachusetts Institute of Technology, the 1987 winner of the Nobel prize for economic sciences, in support of the view that "fear is a bad way to pursue economic development.

"We don't think people use more initiative or become more energetic if they feel unsafe. On the contrary, for us to change our industrial structure as we have done was helped enormously by the fact that people felt safe and knew they would be trained for other jobs when they lost the ones they had."

Such language has gone out of fashion in with much of the European left but the impressive electoral record of the Swedish Social Democrats (in power for all but six of the past 56 years) suggests that practical attention to the feelings of ordinary voters rather than single-issue pressure groups can still produce rich electoral dividends.

Indeed, Mr Carlsson is unfashionably optimistic about the chances of a socialist revival in Europe over the next few years. "I think there will be a new shift to the left," he says. "I can see it when I am out in the schools and universities. There is a completely different attitude among young people from what there was five years ago. Young people are more interested in politics again. The problem for us in the late seventies was that they didn't care about politics and that is far more difficult for a progressive party than for a conservative one."

Outside Sweden Mr Carlsson has made little impression in the two years since he became Prime Minister after the assassination of Palme, though he has mended fences with both the US and the Soviet Union. But he appears to enjoy a much warmer popularity among the Swedes than his illustrious predecessor.

A recent magazine article described him as "just one of the boys." He and his wife live modestly in a third-floor apartment in a house opposite the palace. Mr Carlsson has ordinary Swedish tastes. He likes to ski, walk in the countryside and watch football, though he also enjoys going to the opera. He is reputed to be something of a practical joker (according to one story, he rang up his Foreign Minister in the middle of the night pretending to be a reporter from one of the evening papers.)

Mr Carlsson sounds more like a schoolteacher than an intellectual, but he is in the avuncular mold of Tage Erlander, Sweden's most successful Social Democratic leader in the 1950s and 1960s. Indeed, the young Ingvar was spotted by Erlander as somebody who would go far when he was active in the party's youth movement. Mr Carlsson owes everything to what remains the most impressive democratic party organisation in the world. After studying economics at Northwestern University in the US with the encouragement of the party, he worked with Palme in Erlander's private office.

Very much in the shadow of his brilliant contemporary Palme, Mr Carlsson demonstrated a safe pair of hands as Education Minister for four years, followed by spells at Housing and later as the country's first Minister of the Environment. He was Palme's effective and emollient deputy with a reputation as a fixer inside the party. It was said that Palme dealt with international affairs while Mr Carlsson ran Sweden, though he never intrigued for power. It was thrust upon him after Palme's murder.

But he was the obvious successor. "We proved that Swedish democracy could function and within an hour and a half of the assassination we had a government in being," he says. Mr Carlsson was able to unite a stunned nation and rebuild shattered confidence in the well-being of the country.

His May meeting with Mrs Thatcher is part of a Western European tour which will also take him to Madrid, Brussels and Bonn. Its purpose is to explain the Swedish Government's attitude to the European Community and the creation of its single market by 1992.

For all their ideological differences Mr Carlsson hopes to "have a dialogue" with the British Prime Minister about the future of the Community and getting "Sweden accepted as a serious partner." There is no question of a formal Swedish application to join the EC. "A very important part of Swedish foreign policy is our belief in political neutrality and this makes it impossible for us to ask for full membership but in all other areas we would like to have as close co-operation with the Community as possible," he says.

"Every country has to make its own judgment of what its policy of neutrality allows. We are absolutely convinced that as there is a possibility of co-ordinating foreign and defence policy in the Community we cannot join it. But on the other hand, I think Sweden could contribute a lot. We spend close on 3 per cent of our GNP on research. For a small country we are in the front line. We have a number of multinational companies competing on the world market – Ericsson, Asea, Volvo, SKF and others – and if you look in a broader sense at the possibilities for Europe competing with Japan and the US, I think Sweden has something to offer."

Mr Carlsson points out that the Nordic area as a whole is more important for EC trade than Japan. He talks enthusiastically about a positive relationship with the Community. "We are prepared to pay the price," he declares. He is willing to achieve free movement of labour and capital between Sweden and the EC. "We have to accept the rules and standards that belong to the inner market." In the shorter term Mr Carlsson is looking for joint projects in areas like research. Above all he wants closer co-operation to stimulate growth and employment.

Despite recent inflationary pay settlements, the Swedish economy looks in much better shape than six years ago when the Social Democrats recaptured power. "We are quite optimistic about the possibilities," declares Mr Carlsson. Industrial investment has gone up by 70 per cent in the 1980s and this year the country's blue-chip companies have enjoyed high profits.

In his unassuming and schoolmasterly way Mr Carlsson is in a good position to show how the Swedish model, for all its difficulties, can still provide a genuine alternative strategy for the democratic left in western Europe. It provides living proof that a highly successful market economy can co-exist with a generous cradle-to-grave welfare state – at least in Sweden.

Paying a debt to society

JUSTINIAN

A DECISION of the High Court last Tuesday has provided a gentle reminder that imprisonment for debt is not entirely a matter of legal history but continues in an attenuated form.

Although in no circumstances can a citizen now be sent to prison for failing, however deliberately, to pay his hotel bill, the local shopkeeper's account or a hire purchase debt, a defaulting ratepayer may still face the threat of imprisonment. A magistrates' court may, after conducting a means inquiry, impose a fixed term of imprisonment if the ratepayer's failure to pay a rate demand from the rating authority was due either to his wilful refusal or to his culpable neglect.

Last July, Birmingham City justices postponed an order sending Mr Jack Mansell, 67, to prison on condition that he paid off arrears of rates amounting to £4,300 at the rate of £40 a week.

Nothing thereafter was in fact paid, and another bench of justices in Birmingham in October activated the order of imprisonment for 90 days imposed by their colleagues. Mr Mansell spent a fortnight in Winson Green Prison until he was released by a High court judge on bail pending a judicial review of the magistrates' decision.

The Birmingham magistrates had found that Mr Mansell was deliberately flouting the order to pay £40 a week and either guilty of culpable neglect in arranging his affairs (the High Court defied logic by holding that a ratepayer can both deliberately fail to pay and at the same time be culpably neglectful). But the High Court said that the magistrates had been unreasonable in concluding that Mr Mansell was liable to imprisonment. The fact was that although Mr Mansell possessed substantial capital assets - he owned five properties in the Birmingham area - his income was entirely insubstantial. The outgoings on the properties by way of mortgage repayments exceeded his income from his tenants' rents. He could not conceivably have afforded anything more than two or three pounds a week, let alone £40.

Even if the magistrates had been reasonable in finding that Mr Marshall had wilfully refused to pay his rates, they still retained a discretion whether or not to make an order committing him to prison. Granted such a discretion, magistrates could properly make an order of committal in prison only if there was no other way of inducing the ratepayer to do so. In Mr Mansell's case there was another appropriate method of extracting the money from him. The rating authority could have either accepted Mr Mansell's offer to sell his properties to the local authority, or if that was unacceptable, the rates department could have started insolvency proceedings against Mr Mansell.

His fortnight in prison effected a reduction in his monetary liability. On release from prison his indebtedness was reduced to £3,500. Had he not challenged the order of the magistrates and been granted bail, his imprisonment would have continued progressively to reduce his liability within a few months to nil. Thus the public debt would have been extinguished while Mr Mansell futilely languished in jail.

While the High Court judges keenly sensed the need to keep the Mansells of this world out of overcrowded prisons, they were in no position to use negatively the law which gives magistrates the power in certain circumstances to imprison rate defaulters. The General Rate Act 1967 specifically empowers justices to use the ultimate sanction. At that time imprisonment for civil debt was still in operation. But in February 1969 the Report of the Committee on the Enforcement of Judgment Debts (The Payne Committee) recommended the abolition of imprisonment for the non-payment of civil debt. The Payne committee added that it saw no sufficient grounds for distinguishing rates from other civil debts for this purpose. The Administration of Justice Act 1970 dutifully accepted the main recommendation, but kept the penal sanction for debts of a public character.

Even fine defaulters who wilfully refuse or culpably neglect to pay fines inflicted for criminal offences cannot be imprisoned unless the magistrates' court has considered or tried all other methods of enforcing payment of the sum due and it appears to the court that those methods are inappropriate or unsuccessful. Yet the Secretary of State for the Environment's Bill to substitute the community charge for local rates seeks to retain the ultimate power of imprisonment. At a time of desperate search in the Home Office for ways of reducing the pressure on the prison population, it is bizarre to find the Government speaking with two voices. There is no argument for saying that a system of such harmful futility as imprisonment of rate defaulters carries compensations in supposed effectiveness.

* * * *

MR RALPH Instone claims that this columnist's critique last week of the ruling by Judge Gerald Butler QC in the insider dealing case was fundamentally flawed by Justinian's assumption that the statute on insider dealing created a single offence. Mr Instone asserts that the statute created two distinct offences; hence the distinction to be drawn between the method of acquiring the price-sensitive and confidential information. Mr Instone is a distinguished Chancery practitioner and may not appreciate the less subtle jurisprudence of the criminal law. The 1985 Act in fact created a single offence of insider dealing which could be committed in two different ways. The manner in which the accused came by the price-sensitive information is, therefore, as immaterial to the one way of committing the offence as the other.

Why ingenus should not be gauche when encountering French customs

Jean-Louis Barsoux offers guidance to would-be businessmen

I RECENTLY presented a secretary with a draft copy of a business letter to be typed up in French. She gave it a cursory glance and immediately remarked upon the apparent absence of a closing salutation, above the signature. I had to point out to her that the whole of the last paragraph, beseeching the receiver to accept the assurance of my most distinguished sentiments, was the French equivalent of "yours faithfully".

This anecdote provides an example of the influence of protocol on French business correspondence – and is indicative of the formal nature of French business relations in general.

The pervasive influence of etiquette is of particular relevance to businessmen dealing with French companies. Indeed, familiarity with the codes of conduct is a vital prerequisite for gaining the respect and confidence of French managers.

It is worth acquainting oneself with the various forms of finishing a letter since these vary depending upon the relative status of sender and recipient. Even French secretaries find it necessary to have an etiquette guide at hand for fear of making a *faux pas*.

For instance, a senior civil servant will send a lowly colleague "l'expression de ma consideration distinguée"; an equal his "haute consideration" and a high ranking superior his "tres haute consideration". There are numerous permutations.

A linguistic manifestation of this written formality is the distinction between "tu" and "vous". The "vous" form is *de rigueur* in French business circles. When I suggested to one secretary that she employ the familiar form with her boss, she was adamant that even with his blessing, she could not "bring herself" to do so.

This is a clear warning to uninitiated foreigners that they must refrain from using – unless asked to do so – the "tu" form of address. Undue chumminess is not appreciated.

Anglo-Saxons, who value informality and equality in human relations are wont to dispense with "unnecessary" formalities on the grounds that they inhibit rapport. In the French context, however, the reverse is more likely to be true – trying to put relations on a more personal footing may well alienate the French manager for whom private and professional relations are strictly separate.

Loquacious they may be, but the French are also more socially reserved. A premature shift to the familiar may put visitors at their ease, but will merely succeed in disquieting their French interlocutors.

The same goes for the use of the first name – which Americans are so quick to seize upon. To do so with the French is to show great insensitivity. French businessmen invariably address one another by their surname. This is a habit which starts at school and is so ingrained that long-standing colleagues often do not know each other's first names.

I recall a commercial director's response to a caller from America who requested full names to make hotel reservations. The embarrassed fellow was unable to comply.

French formality even assumes tactile expression in the handshake. This is perhaps the most perplexing ritual for foreign businessmen since it occurs frequently and is subject to well-defined conventions. The hand should not be squeezed, brandished or slackly dropped; nor should the shake be too brief (discourteous) or prolonged (familiar) – it must be straightforward and not brusque.

Ostensibly an innocuous gesture, shaking hands serves to intensify existing power bases. The basic precept is that it is the superior's prerogative to shake hands. "Impertinent" subordinates who stretch out their hand unsolicited, therefore, risk the humiliation of being ignored.

Since the handshake is a mark of respect, its refusal occasions a loss of face and underlines the social distance which separates the two parties. Needless to say, such will not be the fate of the inexperienced business visitor whose hand will dutifully be shaken.

However, if one wishes to avoid causing offence (particularly to senior executives), then one should bide by these codes of conduct. Artifices they may be, but French managers are apt to set much store by them.

It should be added that the deliberate contradiction of these social mores is also an effective weapon in the hands of someone who is *au fait* with the nuances. Indeed, considerable impact can be made simply by transgressing the rules, for instance in the deliberate use of irreverence in the closing salutation to imply indifference as regards reputation, or a PDG (CEO) calling a few of his "favourites" by their first name.

Needless to say, the privileged few do not reciprocate but none the less deem it "une marque d'estime extraordinaire". The old boy networks of the "Grands Ecoles" prescribe the obligatory use of "tu" among alumni; this is a peculiar form of exclusion which serves to define membership and demonstrably creates a clique impenetrable to potential intruders.

Oddly enough, in the land of much-vaunted egalitarianism, all these rituals subliminally reinforce the organisational hierarchy – they reflect an acute awareness of status.

This is epitomised by a PDG who systematically greeted the "cadres dirigeants" with a full handshake, the "cadres superieurs" with a two-finger handshake, and acknowledged lesser mortals with a summary nod of the head.

This physiological segregation illustrates a profound concern with relative status. The rituals are a means of putting the participants in their correct positions and defining their respective roles, thereby leaving them in no doubt as to whom has the upper hand.

In a way these customs serve to reduce potential tension since they clearly identify the authority of each party – hence there is less need for political manoeuvering. As a result of preliminary power-play (exchange of correspondence, business cards and greetings), the individuals know exactly where they stand. Their authority stems from their position rather than from their personality.

Clearly, these rituals are more than the trivia for which they are often mistaken. Beneath their apparent frivolity, they reflect and reinforce essential characteristics of French management.

Because the French are strong on formality it is said that Frenchmen "d'un certain age" are the Westerners who feel most at ease in Japan. They exhibit many of the behavioural traits (restraint, respect for others) which one traditionally associates with Eastern cultures. Not unjustifiably, it has earned them the label "les Asiatiques de l'Ouest" – a description which businessmen dealing with France would do well to bear in mind.

As a rule of thumb, the business visitor to France would be well advised to adopt the sort of caution usually reserved for Eastern counterparts than the "no frills" approach associated with the casually gregarious Anglo-Saxons. Informality is certainly one aspect of the American managerial model which has not yet completed the Atlantic crossing. Forewarned is forearmed.

Jean-Louis Barsoux is a postgraduate student of French management at Loughborough University of Technology

Business courses

Personal computers in strategic management, London. June 2-3. Fee: £207; personal members £189.75; corporate members £166.75. Details from the Strategic Planning Society, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0246. Fax: 01-235 1293.

Company employment policies – the role of the personnel director in business planning, Henley. June 1-3. October 10-12. Fee: £695 + VAT. Details from Henley – The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: 0491 571454. Telex: 849026 HENLEY G.

Total quality management, London. June 7-8. Fee: £546.25. Details from IFS Conferences, 35-39 High Street, Kempston, Bedford MK42 7BT. Tel: 0234 853605. Telex: 825489 ifsess g.

An introduction to business forecasting, London. June 21-24. Fee: £1,000. Details from Rehana Shah, Registrar, Business Forecasting, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 01-262 5050. Telegrams: Lon.BISKOL. Telex: 274 61 LBSS KOX G. Fax: 01-724 7875.

Licensing in Europe: Licensing Executives Society – 1988 Pan-European Conference, London. June 22-24. Fee: LES Member: £195/225; non-member: £225/255. Details from Ms R. Siebrasse, Manager – Operations, Batelle Institute, 15 Hanover Square, London W1.

Computers in Personnel'88, 'A generation on', London. June 28-30. Fee: IPM members/IMS subscribers £454.25; non-members £511.75. Details from Conference Administrator, Institute of Personnel Management, Freepost, London SW19 4YY.

The expanding private company, tax and financial planning for its controlling directors and shareholders, London. June 30. Fee: £212.75. Details from Legal Studies & Services, Bath House, 56 Holborn Viaduct, London EC1A 2EX. Tel: 01-236 4080. Telex: 888870. Fax: 01-489 0849.

World Gold Conference, Vienna. June 13-14. Fee: £590. Details from Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323. Telex: 27347 FTCONF G. TELEFAX: 01-925 2125.

Successfully acquiring unquoted companies, London. June 1-2. Fee: £506. Details from Ms J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 Tacs G/Ref 1202.

The people factor

Across the cultural divide

Christopher Lorenz on Daimler-Benz's efforts to integrate its personnel

EDZARD REUTER, who is leading Daimler-Benz on a controversial takeover and diversification drive, says "the key to the success of the whole story" will be broadening the perspectives and experience of his managers.

To any acquisitive company, the "people factor" is always vital, especially if the digestion process involves getting previous competitors to work together. But it is unusually crucial for Daimler because of the novelty of its experience as more than just an automotive company (see this page, April 18 and 22).

Daimler is not only a relative novice at diversification, it also has little experience of divisional management; until its takeovers of AEG, Dornier and MTU in 1985 its structure had always been functionalised, like most West German companies.

In addition, its culture was not only dominated by cars and trucks, but by a close-knit group of managers brought up in Stuttgart and other parts of south-west Germany. Until the takeovers brought several new members onto Daimler's board, Berlin-born Reuter was one of the few "outsiders" of any standing.

This inbreeding and cohesion was generally a source of strength to Daimler in its days as an automotive specialist, though it limited the company's openness to new ways of thinking and organising itself as it expanded abroad in the 1970s and early 1980s. Now it is very much a mixed blessing.

Reuter is quite open about the company's need for more general managers, particularly with international experience - the rapid internationalisation of industry is one of his prime preoccupations.

But instead of hiring a flood of managers from IBM and other external training grounds he hopes to meet most of the need from within the enlarged group, through a mixture of management development programmes and job transfers across company boundaries. His first priority after the takeovers was to get everyone to start working well together, both formally and informally.

This is one of the justifications for the many formal project groups and steering committees which now criss-cross Daimler, AEG, Dornier and MTU, even if the laboriousness of some of them is causing frustration to a number of senior managers in technology and engineering.

"Working groups and committees with specific problems to solve are particularly effective" at getting people to work together; says Manfred Gentz, Daimler's personnel director. These are especially thick on the ground in research and technology (see April 22) but they now exist in every function.

So do two types of twice-yearly meetings of top and senior managers. The first, "team discussions" between the group's board members and directors (about 100 people in all) last for between half a day and three days. The second, "information meetings", bring together as many as 700 senior managers for half a day of formal and informal discussion.

A series of three- to five-day seminars has also been developed for about two dozen executives at a time; these deal with themes such as "strategy", "ecology and economics", and "leadership and organisation".

Beyond such limited exercises, really unified management development will take "many, many years" to achieve, says Gentz. This is not only because current development practice varies so widely across the group (with Daimler's policy and programmes far more advanced than those of AEG or, especially, Dornier).

Equally important is that "we have to proceed very carefully in order to avoid creating sensitivity or opposition," stresses Gentz. "Each of these companies has its own culture, and we are convinced that we shouldn't destroy it, but expand it by a sense of belonging to the group."

As managers switch companies, such problems will gradually recede. So far the number of transferees is only about 20, "but this will soon increase sharply," says Gentz.

The flow in and out of Daimler is roughly balanced at present; this is partly coincidence, he says, and partly the result of Daimler's care to avoid swamping its offshoots.

Most of the traffic, in all directions, has been at junior levels, though AEG has taken a few senior managers from Dornier, and Dornier has supplied a handful to Daimler. AEG is unlikely to be much of a source of supply; because of its past problems, during which it lost many of its more talented younger executives, "its surplus is not that big," as Gentz puts it.

The most senior Dornier transplant to Daimler, Dr Joachim Dreyer, who is now a director of co-operative programmes in research and technology, says the transfer has been made relatively easy by the same regional cohesion from which Daimler has always – largely – benefited.

Like many engineer-managers in the enlarged Daimler empire (even within AEG), he was brought up in south-west Germany. Many people already know each other, he says, either from their student days or from subsequent professional contacts. "Most of us studied at the same universities."

But, unlike many of his more insular colleagues, the 45-year-old Dreyer epitomises the sort of executive with cross-functional and divisional experience whom Daimler needs aplenty if it is to manage its diversification successfully.

Thanks to Dornier's collaboration with other European aerospace companies, Dreyer also has considerable international experience - another prime requirement in the "new Daimler".

Though Gentz recognises that the group's much-increased need for people who have worked abroad may force it to step up external recruitment, he says Daimler intends to continue its traditional policy of promoting mainly from within.

Despite the recent arrival on the board of a top executive from the West German tyre industry (who is widely seen as his heir apperent), Edzard Reuter foresees most of the outsiders coming in at several levels beneath the board.

Daimler may be facing tough new challenges, but it is not about to scrap its traditional preference for insiders in the real seats of power. Which leaves them with a lot of learning to do.

Architecture/Colin Amery

More to youth than cult

I rather like the publicity for the current exhibition and promotional activity at the Royal Institute of British Architects, where a show of work by young architects is running until May 20.

The advertisement for the show, which is sponsored by the Ibstock Brick Company, tells us that Christopher Wren was under forty when he designed Kensington Palace, Philip Webb equally young when he built the Red House for his friend William Morris, and Charles Barry practically a minor when he won the competition to design the Houses of Parliament.

It also draws attention to the youth of the architects who built the Pompidou Centre, but does not mention that Giles Gilbert Scott was scarcely out of the cradle (a mere 23) when he won the premium for his stupendous design for Liverpool's Anglican Cathedral.

The point of all this history is to draw attention to the youthful skills of the architectural profession today. The exhibition bears the title *Forty under 40*. One of the benefits of being an architect is that at this age you are still considered young — partly because of the length of the training and partly because it is so difficult to build that crucial first building.

There is also something of a fetish made of youth among more than a few architects and designers — the perpetual denim, the cult of designer looks, and a reluctance to learn the ways of business.

At this year's exhibition I was particularly struck by a newly aggressive attitude. There was much more salesmanship about, which I happen to think is a good thing. Trade cards were being handed out; elbows discreetly steered towards certain firm's work; and there was even a willingness to talk about money. All this is to the good, since it is very difficult to get yourself launched as an architect.

There are several routes: the plod for years in a large firm until you feel secure enough to launch yourself; winning a competition — which can be a spur or a brake if the building is compromised or never erected; the route of high fashion and architectural fashion hype, which works although it may not produce brilliance for long. Another thing — which, though obvious, is often ignored — is that it is difficult to judge an architect's quality until he has really built something; it's as hard as getting an Equity card before you have been on stage.

The Prince of Wales, when he spoke at the Mansion House last December, made a plea to developers to try out some new younger talents. As he said then, "everybody has to start somewhere." It was a cry that has not gone unheeded.

Later this week, within the portals of the Arts Club, a group of developers will dine with a dozen or so selected young practices. At the table will be the chairman of the City of London Planning and Communications Committee, Michael Cassidy; Frank Layfield, the planning lawyer; and Mr Trevor Osborne of the developers Speyhawk. It's a start, although this column has been regularly singling out young practices over the years.

I have the advantage in that it is my job to look constantly at new buildings, and offer a word of advice no dinner can substitute for visiting buildings. But it will be an equally important occasion for the architects to learn the developers' perspective on life, and to identify some of the gaps in architects' business training.

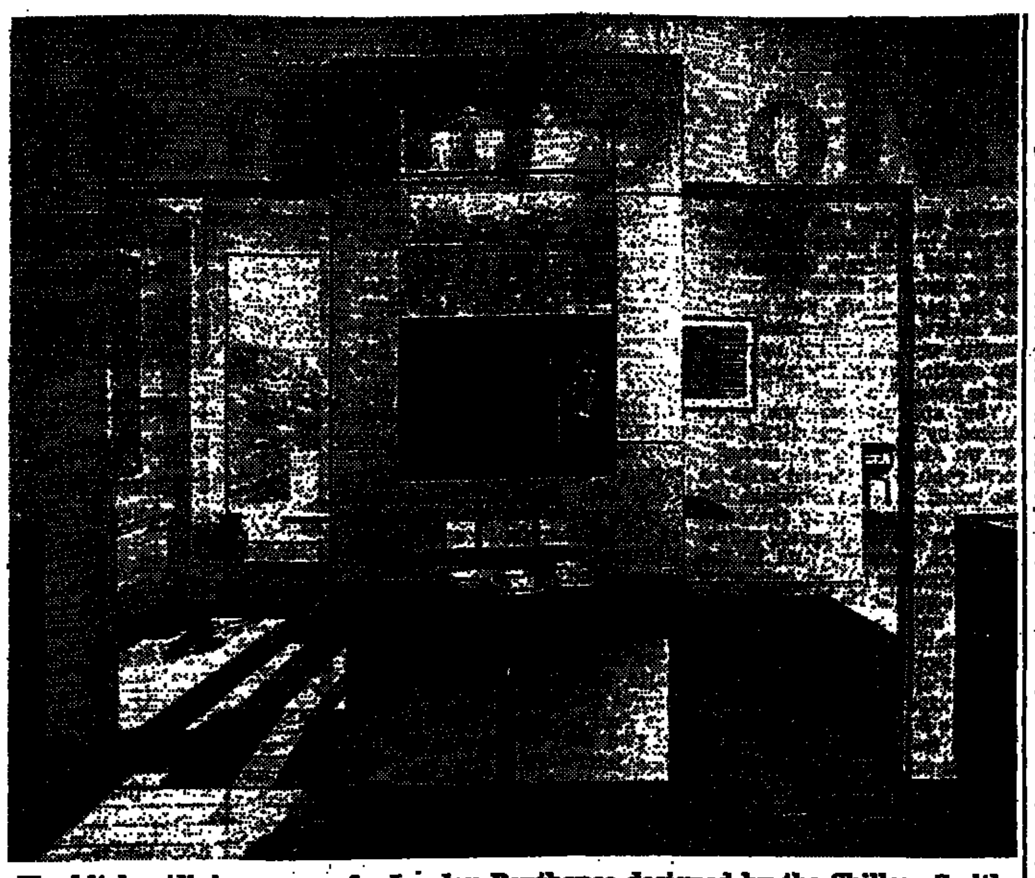
Mr Trevor Osborne and Mr Stuart Lipton are two developers prepared to encourage younger firms. In the exhibition at RIBA the Rab and Denise Bennett, a completely new practice out of Arup Associates, is designing a large office building for Speyhawk which, in the drawings exhibited, looks very promising. I particularly liked the work of Wendy Shillam and Michael Robertson Smith, a newish practice whose completed London buildings I have visited including an excellent flat conversion and an elegant exhibition centre on the Isle of Dogs for the Docklands Light Railway.

Interestingly enough, this firm seems to combine to a remarkable extent an awareness of the need to understand funding, costing and the realities of the financial world as well as the marginally more recondite skills of the designer.

It has mastered the art of the well prepared initial feasibility study, practices close project control, and always makes one partner directly responsible for each project. I also liked the clarity of the company's design which is, I am certain, a reflection of its careful analysis of each problem. The flat in London is a transformation of an ordinary fifties building into a piece of serious architecture.

Shillam Smith is not the only one of the forty firms on show that has shown evidence that it can produce the goods. There is a general atmosphere of entrepreneurship among the young, that not only reflects our times but is an indication that some of the isolated professional arrogance is beginning to disappear.

It may well be a case of the young giving valuable lessons to the old.



The kitchen/dining room of a London Penthouse designed by the Shillam Smith Partnership and on show at the RIBA

Saleroom/Antony Thorncroft

Warhol's shopping bag

The ghost of Andy Warhol, artist and self created artifact, allowed itself a typically sardonic half smile as he sat in his usual place in Sotheby's 2nd Avenue auction room in New York on Saturday and watched his collection of art nouveau and art deco come under the hammer. Items which he had picked up for a few francs in Parisian flea markets in the 1960s were selling for many thousands of dollars, and the first day of the 10 day dispersal of the fruits of his maniacal hoarding brought in $5,314,347 (£2,826,780), just about double the saleroom's cautious top estimate.

Warhol was an uncontrollable shopper, often buying at Sotheby's. He never actually bid himself — he had a sidekick who handled the money — but soon his East Side home was too cramped for the bric-a-brac he acquired on his daily shopping missions and warehouses were rented to stash away the goodies. When Sotheby's was given the task of disposing of his effects it discovered items Warhol had bought in the auction room which were still in their original packs.

Top price was the £146,276 paid by a private collector who out bid the Fine Art Society of London for an ebonised wood table made around 1902 by Charles Rennie Mackintosh, the celebrated Glasgow designer. The price was more than three times the estimate and was an auction record for Mackintosh. In 1967 Sotheby's sold the table for about £800.

Another record was the £111,170 paid for a rectangular stool designed by Pierre Legrain in about 1910. The successful foreign dealer paid the same sum for its twin. A chair, inlaid with ivory by Ruhlmann in 1913, set a record for this artist at £81,915.

Two Legrain chairs made £67,287 and £61,170 to the same foreign dealer.

This was the serious part of the auction, the largest in Sotheby's American history. Warhol's collection of art nouveau and art deco is taken seriously by experts, and there was little room for frivolities at the sale, although Bianca Jagger and the London punk Matt Belgrano put in appearances, along with the old Warhol "gang" from the Factory days. In the morning session the London dealer Lewis Kaplan paid £29,255 for a French silver and aventurine tureen and cover by Jean Puiforcat, made in Paris in the 1930s, and £17,553 for a Mexican silver and onyx covered tureen by the same designer, which was estimated at £3,000. Quite often dealers were out bid by private collectors anxious to acquire a valuable memento of Warhol at this most hyped of sales.

Warhol was an indiscriminate buyer but he was always in first in a collecting field: hence his ability to acquire art nouveau and art deco so cheaply. In the days to come American folk art and furniture, along with bronzes, some contemporary art, and household frivolities will make their appearance on a conveyor belt 3,000 lots long. The money will be used by his trustees to encourage artists and the arts, and the original estimate of $15m in total already looks ridiculously low.

But this is just the start of a Warhol industry. There are hundreds of drawings and paintings, as well as more than a thousand "time capsules" he loaded, to be assessed and marketed. Andy Warhol, founder of the Factory, has started a business bigger than anyone anticipated.

Easy Virtue/Garrick

Anthony Curtis

Coward lives! After *Bitter Sweet* at Sadler's Wells comes another Coward work which too numerous a cast has, if for no other reason, inhibited any previous revival. It was the resourceful King's Head Theatre at Islington that decided to put aside such considerations and produce *Easy Virtue* for the first time since the original London production in 1926. Its reward was a crop of notices, including the one in this newspaper, of such unanimous enthusiasm as to secure a West End theatre for the production with its cast nearly 20 strong.

It is a pleasant change for an audience to see so heavily peopled a stage, with chaps in white flannels, swinging their rackets, pouring in through the French windows, and girls in a tizzy rushing up the steep staircase to the sanctuary of an off-stage bedroom and a sustaining dab of eau de cologne. Yet the author's grip on all this English bourgeois brouhaha is completely assured; never for a moment does he stray from the point.

There are three sorts of people here in the Whittakers' house: the Family, the Friends, and the Stranger. The callow son of the house (John Michie) has married a femme fatale whom he now brings home. Family solidarity, family values, bossily upheld by Mama (Zena Walker) and her two muscular daughters (Miranda Kingsley and Lois Harvey), all played with fine precision, are threatened; and in the ensuing confrontation between Mrs Whittaker and her acidulous daughter-in-law Family is humiliated in full gaze of Friends.

Only Dad (Ronnie Stevens, always a pleasure to watch even when miscast as here) takes a shine to the lady and offers her some human warmth.

Coward was self-consciously re-vamping the well-tried Edwardian formula of the Woman With a Past and her impact on an inflexible and exclusive social system. It is fascinating to watch him altering the slant in the light of 1920s morality, while keeping all the shock-horror climaxes, including the grand entrance down the staircase of the heroine dressed to kill.

The play demands someone utterly hypnotic in the role of this latterday Mrs Tanqueray. Jane How is almost but ultimately not quite what the master ordered. The Peter-Pannery at the heart of the part eludes her. Like Amanda and Elvira, Larita is a child at heart. Still, the scenes when she imposes her will, hands fluttering, mouth twitching, come through, and we have here a clear sense of a woman living on her nerves.

Tim Luscombe, the director, has taken the chance to re-deploy his production over the more generous space at his disposal. The large cast seem thoroughly at home in it and there are some effective secondary performances, particularly Nicola King in the role of the son's magnanimous ex-girlfriend. This was created by Joyce Carey, now aged 89, who was happily present at this opening night of this admirable revival.

Alastair Muir

Ronnie Stevens, Zena Walker and Jane How

London Symphony/Barbican Hall

Andrew Clements

Stretching a bare 75 minutes of music across more than two hours, Thursday's London Symphony Orchestra concert was a royal gala, given in the presence of Queen Margrethe of Denmark to benefit the London School of Economics Butlers Wharf Appeal. It was also slotted into the LSO's "International Violin Series." The international violinist was Pinchas Zukerman, and the programme consisted of three concertos, Bach's *E major* for violin, Brahms' *Double* and Chaikovsky's *Rococo Variations*. The cellist was Ralph Kirshbaum.

Zukerman directed the Bach and Chaikovsky, with much the same approach. The way in which the opening ritornello of the violin concerto was moulded with elaborate hairpins set the tone for a ponderous, quite unstylish account in which the violin playing was immaculate and lifeless, and the tuttis thick and routine. Kirshbaum's playing in the *Rococo Variations* had a good deal more care expended on it, and the self-consciously glossy orchestral sound was altogether more appropriate. Much the same nickel-plated aggressive also attended the Brahms' *Double*, which was conducted by David Shallon, and the performance rarely aspired to solo playing of genuine intensity or penetration. Short sections of the slow movement carried the promise of a more deeply considered approach that, perhaps given more preparation, could have developed into something of genuine stature.

★

Two nights later the LSO seemed substantially more alert and involved for its concert under David Zinman, also in the Barbican. Zinman led the orchestra robustly through Strauss's *Don Juan* and Dvorak's *Eighth Symphony*, but the novelty items were left to James Galway, who was soloist in Lukas Foss's *Renaissance Concerto* and his own *Fantasy on themes from Carmen*.

The Foss concerto proved to be as curiously conceived as it was titled — four movements that loosely conflated a medley of more or less archaic themes, by no means all "renaissance," in a broadly tonal style which threw in modish flute effects where necessary. It seemed to me a quite hapless attempt at producing an approachable concerto — a poor sample of Foss's own music and hardly a spectacular display piece for the soloist. Indeed Galway's own compilation of tunes from Bizet provided a far more convincing opportunity for him to display his technical skills; the musical worth of both pieces is negligible.

Tasso at 1988 Buxton Festival

For its 10th anniversary season the Buxton Festival (July 16-August 7) will examine the influence the Italian Renaissance poet Torquato Tasso (1544-1595) had on the music and poetry of Monteverdi, Haydn, Donizetti, Goethe and Byron among others. The bicentenary of Byron's birth will also be celebrated in a weekend of words and music.

Opera during the festival will be Haydn's *Armide* and Donizetti's *Torquato Tasso*. *Armide*, in a new translation by Amanda Holden, is based on an extract from Tasso's poem *Gerusalemme Liberata* about the first Crusade. This is claimed to be its first professional British staging with a cast including Claire Daniels, Neil Archer and Jeffrey Talbot, sponsored by Brother International, Vernon Colhoun, ICI, ICL and the Royal Bank of Scotland.

The Donizetti, known as the "baritone opera," recalls Tasso's hopeless love for the Duke of Ferrara's sister which results in confusion, jealousy, passion and madness. The cast includes Russell Smythe in the title role, Stephanie Friede and Richard Margison. The production is sponsored by British Airways, Natioanal Westminster, The Royal Bank of Scotland and Tarmac.

Archer takes control of the Playhouse

Antony Thorncroft

Jeffrey Archer, the novelist, playwright, and personality, has acquired control of the newly reopened Playhouse Theatre, near London's Charing Cross Station.

He has bought 60 per cent of the shares from the directors of the Playhouse, at 70p for each £1 share, for just under £1m and has made an offer for the remaining shares on the same terms to the many smaller shareholders.

The Playhouse opened in November but sustained a loss of more than £600,000 in the year ending January 31, mainly because of the failure of two of the first three productions. A new board has been constituted, headed by Lord Havers, and with David Gilmour as artistic director. But before any new direction can be taken the Playhouse will be home to *The 15 Streets*, an adaptation of a novel by Catherine Cookson, which opens in May.

Mr Archer has tried on three previous occasions to buy a London theatre, and is an inveterate "Angel," investing currently in 17 productions. He does not envisage his own plays appearing at the Playhouse. "It is not big enough," he half joked yesterday. The Playhouse has 800 seats. It was redeveloped with residential accommodation at the top.

Bournemouth Sinfonietta/ Elizabeth Hall

Richard Fairman

It was difficult to tell that this event on Friday night was meant to be the start of the South Bank's celebration of late works, "End-games." In spite of a barrage of publicity the audience was sparse. And the concert itself, with its mixture of pieces from composers at all stages of their creative life, suggested there is little serious purpose behind the games the programme planners are trying to play.

In short, it was a concert one might expect to come across at any time. If the idea was to focus on music conceived in a mood of valediction, only one piece fitted the bill. This was Britten's late cantata *Phaedra*, which even at the time it was written seemed to be a distillation of all that made up the composer's style, paring down essentials in just the way one might expect of an artist consciously working near the end of his days.

It was written for Janet Baker, but that has not stopped others from taking it on. At this performance the soloist was Sarah Walker, who is fortunately at ease in the high tessitura designed for the work's dedicatee. When the music calls out for vocal colouring she may be a less subtle interpreter (how memorably Baker's Phaedra, drunk with love, used to murmur the line "Fool, I adore you") but the dramatic concentration never slipped. The piece was an opera in miniature, just as it should be.

To Berlioz's *Nuits d'été* Walker had earlier brought clear, idiomatic singing without the individual touch that distinguishes the most inspired singers of French melodies. The effects that really caught the attention here came from Roger Norrington and the Bournemouth Sinfonietta: funereal bassoons darkening the atmosphere in "Sur les lagunes" and the woodwind section as a whole dominating the mournful "Au Cimatiére" with their chromatic sighs.

The programme ended with Mozart's Symphony No 41. In the manner of "authentic" performances this was forceful, energised music-making, always chasing at the players' heels and never stopping for a moment to look over its shoulder at the gravitas older conductors used to find in the work. The symphony has never seemed less of an "End-game" than it did here.

Nelly Miricioiu/Wigmore Hall

Max Loppert

The Romanian soprano returned to the Wigmore Hall on Thursday for a recital of songs and operatic airs. Miss Miricioiu first appeared in London as a recitalist a few years ago, and made an appealingly fresh impression — the voice was beautiful, rich in colour and personality, the musicianship spirited but not fully mature. In the intervening period her international career as an operatic soprano has taken off, but — to judge from Thursday's recital — the hoped-for maturing process has not accompanied it in quite the way one had hoped.

Indeed, what seemed an all-purpose set of artistic mannerisms was regularly applied to the soprano's vocal and physical demeanour. She opened with a Mozart concert aria, "Misera, dove son!", and in it displayed a mode of closed vowels and deliquescent consonants that all but removed the text from intelligible perception. This verbal mistiness, coupled with a tendency to mope and moon over the phrases, was prolonged in all the pensive music of the first half (and there was rather a lot of it) — Liszt's Three Petrarch Sonnets, two each of the four Verdi and Rodrigo groups.

When the mood brightened, temporarily, so did Miss Miricioiu's delivery, and then one remembered what a wonderful instrument she possesses, clean on top, vibrant, full of character, lending itself naturally to vigorous rhythms and a forward attack. But the overall shortage of energy in its use left an impression disappointingly unlike that of her earlier, younger self.

In the second half, four operatic heroines — Bellini's Amina (final numbers from *La sonnambula*), Charpentier's Louise, Donizetti's Anne Boleyn, and Verdi's *Ernani* Elvira — were offered (the sympathetic quality of David Harper's piano accompaniments was particularly evident here). Over this part of the recital particularly, and the whole of it generally, the influence of Maria Callas on her tone-colouring and phrasing hung heavy. It's a good influence, of course, but Miss Miricioiu now needs to shake herself free of it, and discover — or rather rediscover — her own artistic identity.

Glyndebourne's 1988 season

Glyndebourne this year runs from May 16 to August 18, with 74 performances of six productions including two new ones, Janácek's *Káťa Kabanová* and Verdi's *Falstaff*.

Káťa, conducted by Andrew Davis and sponsored by the Philip and Pauline Harris Charitable Trust, will be sung in Czech with English surtitles.

The production marks the British debut of the German team of director Nikolaus Lehnhoff, designer Tobias Hoheisel and lighting man Wolfgang Göbbel. Nancy Gustafson sings the title role, with Felicity Palmer, Donald Adams, Barry McCauley and John Graham-Hall.

Falstaff is by the same team responsible for *Boccanegra* (1986) and *Traviata* (1987): director Peter Hall, designer John Gunter, and conductor Bernard Haitink.

Claudio Desderi sings the title role, with Eva Lind, Robert McFarland and Gianluca Sorrentino making their British debuts. The Merry Wives are Anne Howells, Yvonne Kenny and Felicity Palmer.

Nigel Osborne's new opera *The Electrification of the Soviet Union*, premièred by Glyndebourne Touring last autumn, will have eight performances during the Festival.

The other revivals are Peter Wood's 1980 production of *Die Entführung aus dem Serail*, conducted by Lothar Zagrosek with Willard White, Lillian Watson, David Rendall and Gianna Rolandi in the cast; Peter Hall's *La traviata* conducted by Sian Edwards with Fiorella Pediconi in the title role and Walter MacNeil as Alfredo; and the Ravel double bill of *L'heure espagnole* and *L'enfant et les sortilèges* designed by Maurice Sendak.

Arts guide

April 22-28

Music

TOKYO

John Lill, piano. Beethoven sonatas. Casals Hall, Ochanomizu (Mon). (291 2525).

Indian Folk Music. Kan'i Hoken Hall, Gotanda (Mon). (383 3151).

Choir of St. Hedwigs Cathedral, Berlin, Tokyo Philharmonic Orchestra, conducted by Roland Bader. Beethoven 9. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Wed). (265 9696, 401 6661).

James Tocco (piano), Yomiuri Nippon Symphony Orchestra, conducted by Rafael Frühbeck de Burgos. Chopin, Stravinsky, Sibelius. Suntory Hall. (Wed) (270 6191)

Lyoubov Timofeyeva, piano. Granados etc. Suntory Hall. (Thur) (265 6361)

LONDON

Philharmonia Orchestra and Chorus conducted by Owain Arwel Hughes with Sheila Armstrong, soprano, Sarah Walker, mezzo-soprano, Neil Mackie, tenor and Stephen Roberts, baritone. Handel's Messiah. Royal Festival Hall (Mon). (928 3191).

London Sinfonietta conducted by Luciano Berio. Ravel, Berio and Mahler/Berio. Queen Elizabeth Hall (Mon). (928 3191).

Sonny Rollins/Stan Tracey. Royal Festival Hall (Tue).

Philharmonia Orchestra conducted by Andrew Davis with Alison Hargan, soprano. Strauss. Royal Festival Hall (Wed).

London Philharmonic conducted by Eliahu Inbal. Mahler 9. Royal Festival Hall (Thur).

PARIS

Ensemble Intercontemporain conducted by Kent Nagano. Anton Webern, Klaus Huber, Alban Berg (Mon). Théâtre du Rond-Point (42 56 70 80).

Peter Schreier recital, Norman Shetler, piano (Mon). Théâtre de l'Athénée (45 42 67 27).

Nikita Magaloff, piano: Rachmaninov, Mussorgsky (Mon). Salle Pleyel (45 63 07 96).

Ensemble Orchéstral de Paris conducted by Armin Jordan, Isabel Garcisanz, soprano: Haydn, De Falla, Dvořák (Tue). Salle Gaveau. (45 62 67 57).

Nouvel Orchéstre Philharmonique conducted byn Eliahu Inbal with Mitsuko Shirai, Jard Vannes and Radio France Choir: Mahler's Resurrection (Tue). Salle Pleyel (45 63 07 96).

Orchéstre de Paris conducted by Kurt Sanderling, Leiben Yordanoff, violin: Liadov, Glazunov, Brahms (Wed, Thur). Salle Pleyel (45 63 07 96).

Orchéstre National de France conducted by James Colon, Uto Ughi, violin: Janáček, Sibelius, Schoenberg (Thur). Théâtre des Champs Elysées (47 20 36 37).

MUNICH

Hamburg Radio Symphony Orchestra and Choir. The oratorio 'Elias' with the conducted by Heribert Beissel. Soloists are Mira Zakai, Edith Wiens, Wolfgang Schmidt and Bernd Weikl. (Tue).

NEW YORK

Orpheus Chamber Orchestra. Heinz Holliger oboe. Mozart, Wagner Respighi (Mon). Carnegie Hall (247 7800).

Masterplayers Chamber Orchestra of Lugano. Richard Schumacher conducting. Handel, Rossini, Dvorak (Tue mat). Merkin Hall (362 8719).

Chamber Music Society of Lincoln Center. Saint-Saëns, Carter, Schumann, Arensky (Tue). Alice Tully Hall (362 1911).

New York Philharmonic, James De Preist conducting. Haydn, Persichetti, Tchaikovsky (Tue); James De Preist conducting, Glenn Dicterow violin. Faure, Saint-Saëns, Walton (Thur). Avery Fisher Hall (874 2424).

Ory Shihor piano recital, Mozart, Kisler, Bloy, Chopin (Tue). Kaufmann Hall. (996 1100).

Group for Contemporary Music. Thomas Bogdan tenor, David Hamilton baritone, New York Treble Singers. Stravinsky, Hugo Weisgall (Tue). Merkin Hall. (362 8719).

Julie Jordan & Friends. Mixed programme including Schubert. (Wed, 12.30, Free) Juilliard Concerts at the IBM Garden Plaza. 56th & Madison.

Tokyo String Quartet. All-Beethoven programme (Wed). Kaufmann Hall (996 1100).

Eric Bartlett cello recital with Wu Han piano and Sarah Clarke viola. Beethoven, Schumann, Bell, Brahms (Thu). Kaufmann Hall (996 1100).

WASHINGTON

Chamber Music Society of Lincoln Center. Saint-Saëns, Carter Schumann, Arensky (Wed). Kennedy Center Concert Hall (254 3776).

National Symphony, Mstislav Rostropovich conducting, Peter Serkin piano. Griffes, Stravinsky, Mozart, Brahms (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony. Erich Leinsdorf conducting. Strauss, Schoenberg (Thur). Orchestra Hall (435 8111).

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY

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Monday April 25 1988

Mr Botha's predicament

PRESIDENT P.W. Botha's reassertion last week of the need for political reforms was a courageous repudiation of those who wish to take South Africa back to the days of Dr Henrik Verwoerd and the grand apartheid design. But it did not dispel the impression that the President remains bogged down by the complexities of his country's crisis.

He is besieged by white South Africa's extreme right, presides over a divided Afrikaner volk, is unable to win over moderate whites, and is denounced by the overwhelming majority of black South Africans.

For the past few months Mr Botha has been going out of his way to placate white South Africa's extreme right. He has imposed drastic curbs on black opposition at home, and continued to mount cross-border raids against alleged bases of the banned African National Congress. It has not worked. The ruling National Party has lost the last three by-elections in a row.

Last week Mr Botha switched tack. He gave his government's stalled reform process a nudge. He hinted at black participation in the electoral college that choses the state president; suggested that blacks should be admitted to the president's council (the country's policy advisory body); and held out the possibility of elected regional authorities for blacks living outside the so-called homelands.

There is little reason to believe that these vague proposals – no details or timetable were provided – will lead to a change of heart amongst sceptical blacks. As Mr Colin Eglin, leader of the Progressive Federal Party, pointed out, they avoid the cardinal issue of South African politics – "the participation of blacks in the sovereign central parliament."

Brave effort

Black leaders – including the conservative Chief Mangosuthu Buthelezi – have long insisted that the main precondition to their participation in any negotiations for a just society is the lifting of the ban on the ANC and the release of its leader, Mr Nelson Mandela, and other political prisoners. Mr Botha new proposals are unlikely too make them reconsider this stance, or convince moderate whites that they should back the president.

Yet it must be acknowledged that the Mr Botha's effort to put life into the reform programme he launched is a brave one, when *considered* in the context of white politics. The threat from the extreme right (which, only the day before Mr Botha spoke, published an election manifesto pledging to repeal the reforms of the past three years) is real.

Some 30 per cent of the white electorate voted for the two extreme right parties in the general election of May 1987. Their support has since increased. If the voting pattern at the last three by-elections were repeated in a national poll, the Conservative Party could win over 60 of the 176 white seats. Many National Party MPs are thought to be closet Conservatives who might cross the floor.

Next test

The next electoral test for Mr Botha comes at the municipal elections next October, and Conservative politicians relish the prospect. As things stand, the next parliamentary general election must be held by April 1990. It is quite possible, however, that Mr Botha may be able to postpone the poll to 1992, provided he secures the support of Mr Allan Hendrickse, leader of the largest party in the Coloured (mixed-race) house of assembly.

If he does win this breathing space, he will have more time in which to remedy one of the fundamental flaws in his strategy. It is not possible, on the one hand, to secure the participation of black South Africans in efforts to work out a new political system for the country, while at the same time imprisoning many of their leaders.

Only two months ago the government placed severe curbs on 17 anti-apartheid organisations and restrictions on the Congress of South African Trade Unions. An estimated 30,000 people, mostly blacks, have been detained for varying periods since the state of emergency was introduced 22 months ago. Between 2,000 and 3,000 are currently held by the police.

Within their ranks are the men and women with whom Mr Botha needs to discuss the options for South Africa. Until the President recognises this, the fundamental reform that is so urgently needed cannot get under way.

The education of managers

The British Institute of Management will shortly propose to its 73,000 members that the organisation apply for a royal charter, enabling it to bestow the title of chartered manager on individuals who pass certain practical and theoretical tests.

The BIM move has the support of a number of prominent industrialists, including Mr Bob Reid, chairman of Shell UK and of the newly-formed Council for Management Education and Development. The Council also intends to *launch a code of practice on management development.*

The code of practice is likely to be widely supported. Privately, however, several of those most active in furthering the cause of management education in Britain have grave reservations about the notion of the chartered manager.

The problem with the chartered manager concept is that it is backward-looking. Why attempt to turn management into a chartered profession at the very moment that the other professions are being lambasted for their exclusivity, insularity and restrictive practises?

The chartered manager idea is also certain to be misunderstood. Some will assume that the BIM is going into the business of handing out licences, of deciding who may or may not call themselves managers.

The BIM, of course, denies that it intends to do any such thing. It knows that nobody can stop companies appointing whoever they wish to managerial positions.

Practical courses

The aim, the BIM says, is to give as many young managers as possible access to a recognised, portable management qualification – as recommended in reports published last year by Professor Charles Handy and Dr John Constable.

Such a management qualification is, however, already taking shape independently of the BIM. Several major British companies have approached educational establishments to help them draw up management courses.

These courses are far more practical than the traditional Masters of Business Administration courses. Managers on these newer, company-designed courses study finance, marketing, industrial relations and other subjects at home or on part-time courses. They are also required to carry out projects that are directly related to the work they do within their organisation, helping to strengthen the link between theory and practice.

Since 1983, the International Management Centre, Buckingham, has organised courses for over 100 UK organisations.

The advantage of these courses is that they can change as business changes. *Employers* can ask universities and colleges to come up with new courses to meet new market needs. Because they are drawn up for individual organisations or groups of organisations, they are likely to be more flexible than the BIM's chartered management qualification.

Certain status

Another point for the BIM to note is that those who graduate from the company courses are awarded MBAs. Whatever doubts there might be about traditional MBAs, the label still carries a certain status. Presented with a choice of writing either MBA or "chartered manager" after their names, today's young managers are likely to opt for the former.

Apart from having a more contemporary ring to it, the MBA label is recognised beyond Britain's borders. Whatever American, French or German executives think of the MBA degree, at least they know what it is. The title chartered manager is unlikely to mean much to them.

The BIM argues that graduates of company MBA courses will often find that they have accumulated sufficient credits to win chartered manager status too. However, given that companies already appear to be opting for their own MBAs, there seems little point in the BIM trying to put together a new structure.

All this is not to suggest that the Institute has no role to play. As the largest organisation of its kind in the world, it is ideally placed to monitor the quality of courses and to help companies and managers find the best training available. This could be particularly useful for small organisations without the resources to create their own courses.

Alan Friedman reports on Carlo De Benedetti's prospects after his worsting in Belgium

More than one man can do

AFTER Mr Carlo De Benedetti's reversal in his battle for control of Société Générale de Belgique and a series of other difficulties in the past month, members of the international financial community who follow his activities are starting to ask themselves: is Carlo losing his touch?

The speculation has been fuelled by Mr De Benedetti's failure on April 14 to win management control – or even seats on the board – at La Générale, the giant Belgian holding company which he has been openly pursuing since January. And in the days before the Belgian campaign turned sour, Mr De Benedetti was jetting back and forth to New York for heated talks with American Telephone and Telegraph on the size of its stake in Olivetti, his principal operating company.

Mr De Benedetti has also been facing a few battles back home in Italy. In one of them it looks as though he will succeed in asserting his effective control of Mondadori, the country's second biggest publishing and magazine group. The other pits Mr De Benedetti against his perennial rival, the Agnelli group, which controls Fiat, in a bitter struggle for control of Credito Romagnolo, a wealthy Bologna-based private bank.

Meanwhile, Mr De Benedetti's long-running legal battle to force the IRI state holding company to honour a 1985 agreement to sell him the SME foods group ended in defeat on April 19 when his last possible appeal was thrown out by a Rome court.

With this wretched confluence of events, Italian news magazines last week featured cover stories with headlines such as "De Benedetti in the Trenches" or "The Humbling", accompanied by pictures of him looking distraught.

Mr Paolo Azzoni, a Milan stockbroker, expressed the view of many in the market when he said: "He is a brilliant fellow, the most international businessman in Italy, but I fear he has simply taken on too much in too short a time."

Mr De Benedetti's weary but determined coterie of advisers at Olivetti's headquarters in Ivrea and at CIR, his main holding company in Milan, respond that the situation may look bad from the outside, but that the group is working as well as ever, despite what one executive describes as "this very messy month."

In New York, meanwhile, Mr Yves André d'Istel, vice chairman of Wasserstein, Perella (which has been advising Mr De Benedetti on the Belgian bid), insists that "his financial structure is sound and his industrial base is solid."

A vital number in assessing the group's position, says Mr d'Istel, is its net cash position (that is, total debt less cash and short-term funds).

The reason for scrutinising this number carefully is the scale of Mr De Benedetti's spending on shares in La Générale and the additional financial exposure he would face if all of his allies in the takeover battle who have a contractual right to be bought out exercised this option.

Cerus, Mr De Benedetti's Paris holding company, has spent, directly and indirectly, a total of L1,400bn (£600m or just over $1bn) on La Générale. The first L300bn of expenditure wiped out Cerus's cash balance and the remaining L1,100bn has been financed by bank loans. Mr De Benedetti's aides say that, in the worst case, it would have to spend another L700bn to buy out its allies. This would bring total spending on La Générale to L2,100bn, of which L1,800bn would be financed temporarily by bank debt. This L1,800bn corresponds to the eventual proceeds of Mr De Benedetti's sale of the Buitoni foods group to Nestlé of Switzerland.

However, Mr De Benedetti's sale of Buitoni's French operation is facing legal challenges from minority shareholders in Paris. Much hangs on the successful completion of the sale of the Buitoni assets. This single shrewd deal would put Mr De Benedetti's finances back in order, without any further asset disposals. If you ask Mr De Benedetti's financial men about the problems with the sale of Buitoni's French arm, they reply: "The worst that can happen is we get paid even more for Buitoni."

Events will prove whether that confidence is justified. As long as the Buitoni deal goes through, the De Benedetti group's balance sheet looks healthy. After selling Buitoni's assets, the greatest potential repurchases of La Générale shares would leave the group with net debt of little more than $300m, compared with group net equity of $1.8bn. (These calculations are based on data supplied by CIR. They exclude Olivetti, which has a net cash balance of L400bn and is managed separately from the rest of the group.)

Last week Mr De Benedetti's son Rodolfo and other executives of CIR and Cerus were meeting US investment bankers in Paris to discuss a stand-by credit line of around $300m.

Mr De Benedetti's financial position appears secure, as long as the Buitoni deal goes through. Meanwhile, however, he has spent a vast amount in Belgium, only to reach an impasse. He is now constrained to seek a compromise with the triumphant group of shareholders, led by the French investment bank Compagnie Financière de Suez. This group has 55 per cent of the votes at La Générale, compared with Mr De Benedetti's 45 per cent.

The consensus view among analysts is that it is in the mutual interest of both Suez and Mr De Benedetti to work something out, although probably not before the second round [illegible] At that point, predicts Mr d'Istel, the two sides will come to some agreement: "It is a stalemate. Now they can basically asset strip or manage the assets. The second would be better."

While the future of La Générale awaits resolution, Mr De Benedetti is knee-deep in another matter – one that concerns the flagship of his empire, Olivetti. There has been, in Olivetti's words, a "fundamental difference of opinion" with AT&T, its "global partner" and largest single shareholder.

Earlier this month, according to Mr De Benedetti, AT&T was on the verge of increasing its stake from 22 to 40 per cent and taking over management control of Olivetti. On the afternoon of Saturday, April 9, Mr De Benedetti flew to New York; at 8.30 the next morning he met Mr Robert Allen, the new chairman of AT&T, to discuss the matter. He flew straight back to Turin that afternoon, announcing to the world that he had persuaded AT&T to keep its Olivetti stake down to 22 per cent. In Italy this was portrayed as a "victory" over the Americans. But the reality was not so clear-cut. And the shareholding issue was intertwined with another, technological question.

The technology issue started to come to a head last November, when Olivetti announced a new series of mini-computers, the LSX line. For the first time, Olivetti was moving into the mini-computer market, to do battle with IBM and Digital Equipment. Just as significant, the announcement implied that Olivetti would no longer devote its efforts to pushing AT&T's mini-computers.

The LSX mini-computers reflect Olivetti's attempt to reduce its reliance on low-margin, high-volume personal computers. Top executives say the goal is to "achieve a quantum leap in turnover" by 1989-1990 and to double Olivetti's current 4 to 5 per cent of the European mini-computer market by the early 1990s. For Olivetti, therefore, the new line is a crucial strategic thrust. If it is to retain a competitive edge, it must exploit the new high-performance microprocessors now becoming available.

Here is where the divergence of opinion occurs with AT&T. Like its biggest shareholder, Olivetti plans to use AT&T's Unix as the core software standard for its mini-computers. The problem is that two chip families are fighting to establish themselves as the best microprocessors for running Unix.

AT&T is betting heavily on an alliance with Sun Microsystems of California to develop a new standard for mini-computer manufacturers, based on Unix and Sun's Sparc, an advanced microprocessor chip. Many other companies – including, in Europe, Britain's ICL – have decided to support this combination. Olivetti, however, is leaning the other way. Although it has not yet taken a final decision on which chip to use in future, it appears to be more interested in the Sparc's deadliest rival, the Motorola 88000. The Italian company already uses the Motorola 68000 series of chips for the LSX series. Olivetti says it wants to ensure its "freedom" to choose between AT&T/Sun and Motorola.

For the past few months, therefore, Olivetti and AT&T have been discussing both the question of which system to use in developing Olivetti mini-computers and the separate (but in Olivetti's mind related) issue of AT&T's share stake. Under the terms of its current agreement with Olivetti, AT&T must not increase its stake beyond 22 per cent until 1990 without the Italian company's agreement. Even at that date, its potential stake is limited to 40 per cent for a period of several years.

Mr De Benedetti was apparently prepared to agree to an immediate rise in AT&T's stake. To bring it about, various formulae were discussed. In one of them, his aides say, he offered to sell AT&T around half of CIR's 14 per cent stake in Olivetti. To bring AT&T up to 40 per cent, Olivetti would issue new stock. The Americans responded with a contract under which, after the rise in AT&T's stake, Olivetti's chief executive would report to New York. Mr De Benedetti balked at this and the talks went nowhere. As things stand, AT&T still cannot increase its stake until 1990.

Both companies are being polite about the disagreement. An Olivetti executive, who sat in on Mr De Benedetti's meeting with AT&T's Mr Allen, says: "I saw that Bob Allen understood our position and is no longer insisting on management control." An AT&T spokeswoman says that while there may be differences of opinion from time to time, "the alliance is based on mutual interests and a common strategic vision. We believe strongly in the Sparc chip and we are advocating it for many companies, including Olivetti. But we are not imposing it on any company, including Olivetti."

AT&T and Olivetti are thus glossing over their previous differences, which executives of both companies describe as "normal" in any inter-company relationship. But uncertainties remain. The expected imminent return to Olivetti of Mr Vittorio Cassoni, the former Olivetti man who since 1986 has been running AT&T's computer division, will raise eyebrows on both sides of the Atlantic. Mr Cassoni's position, as an Olivetti man at the heart of AT&T's computer ambitions, was a touchstone of the two companies' close relationship in this field. And if Olivetti eventually decides to opt for a Motorola-based mini-computer line, rather than one based on the AT&T/Sun standard, Ivrea and New York will have that much less in common.

Mr De Benedetti, now 53 years old, has a lot on his plate. At Olivetti, his team of managers is strong and Mr Cassoni's expected return to Italy should reinforce the structure. His Italian battles over Credito Romagnolo and Mondadori, while unpleasant, are not hugely important and are being handled mainly by his senior aides at CIR. The La Générale affair must be more troubling. It has been a costly experiment in the still-nascent world of European hostile takeover bids. If the proceeds from Buitoni come in, as expected, by September, then most of the debt the venture attracted will be covered. Further asset sales do not seem necessary.

The most serious damage has been done to Mr de Benedetti's ego and to his image as a winner. His investors in Italy cannot be very happy – the shares of his quoted companies are under-performing the Milan bourse. "It is a good thing," says one broker, "that he does not need to go to the market right now."

Is Carlo de Benedetti losing his touch? The answer appears to be that he is still the aggressive and at times far-sighted entrepreneur he has always been. But he is only one man. He cannot expect to make consistently good judgments with such a crowded agenda and such a vast array of different issues. His staff says that the "crunch" period is over now and that each matter will be dealt with, "step by step." One cannot help thinking, however, that Carlo De Benedetti must be wishing he could take a weekend by the sea.

De Benedetti group's net cash position

Company	Lire billion Net Cash (Debt)
CIR-Sabaudia	-170
CIR International	-210
Cerus	-1,100
Buitoni	+200
Total net	**-1,280**
Total in US$	*-1.04bn*
Additional potential Societe Generale de Belgique exposure	-700
Total potential net	**-1,980**
Total in US$	*-1.6bn*

This table shows the De Benedetti group's debt net of cash and short-term funds as at April 20, 1988 at which point Nestle had already advanced L200 billion of the L1,800 billion being paid for Buitoni assets.

Source: CIR

Company	Lire billion Net Cash (Debt)
CIR-Sabaudia	-170
CIR International	-210
Cerus	-1,100
Buitoni	+1,800
Total net	**+320**
Total in US$	*+259m*
Additional potential Societe Generale de Belgique exposure	-700
Total potential net	**-380**
Total in US$	*-308m*

This table shows the De Benedetti group's expected net debt after receipt of the L1,800 billion being paid for Buitoni assets.

These tables refer to all companies except Olivetti, which has at present a net cash balance of approx Lire 400 bn.

AT&T and Olivetti are glossing over all their previous differences, which their executives describe as "normal". But the uncertainties remain.

OBSERVER

Ramsey's broad church

Michael Ramsey, the former Archbishop of Canterbury who died last week, was one of the best leaders the Church of England ever had.

I first came across him when he was Bishop of Durham in the early 1950s and I was at school nearby. His sermons and his voice were unforgettable. You could turn on the radio years later and still recognise that mixture of sing-song and intellect that made his tones so memorable. He would bring to the pulpit in Durham people who, it seemed, came from another world: like Trevor Huddleston, who gave a sermon on the text "I came not to bring peace, but a sword," and spoke about South Africa before most of us had understood that there was a problem.

Ramsey went on from Durham to York and then Canterbury, which northerners in those days regarded as the natural, and also necessary, route to the highest office. He was Archbishop of Canterbury from 1961-1974, a time of great social and political change: not only the onset of the permissive society, but also the end of empire.

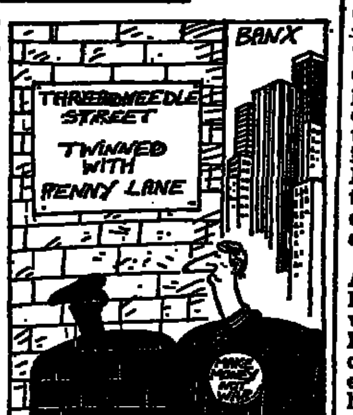
One of Ramsey's responses was to seek links with other churches, something which in those days was regarded as much more heretical than it would be today. He went to Rome and became friends with Pope Paul VI. He talked to the Protestants as well and was one of the first to be aware that the future of the Church of England lay at least as much abroad as at home, if only because the majority of practising Anglicans is no longer white anglo-saxon.

Cardinal Hume, the Archbishop of Westminster, said on Ramsey's death that he was "much loved and admired by the catholic community". That is undoubtedly true, but one wonders if a catholic leader would have said it when Ramsey was making his first attempts at a renewal of church unity.

None of that should detract from the present Archbishop of Canterbury, Robert Runcie. He, too, is trying to hold a social as well as a religious fabric together and is also a brave man. But it was Ramsey who began to identify the problems and search for the solutions.

Equivocal

Dan Rostenkowski, the chairman of the Ways and Means Committee in Washington, was accused the other day of being evasive. "Maybe I am, maybe I'm not," he replied.



Japanese model

Norman Macrae, the deputy editor of The Economist, is being awarded the Order of the Rising Sun by the Emperor of Japan.

Strictly speaking, it is the Order of the Rising Sun, third class, categorised as "gold rays with neck ribbon". Still, it is a singular honour for a non-Japanese. A Japanese spokesman said that it is the seventh highest in a Rising Sun ranking order of about 20.

Macrae first went to Japan for The Economist for three weeks in 1962 and surprised even the Japanese by what he wrote about their economic potential. His articles were immediately translated into the vernacular and became a kind of text book for the future. Since then, he has been back nine times, though never for more than a three week stay. Some of his more recent articles have been critical: for instance, on the inadequacies of the Japanese distribution system. Tokyo may even have learned from them.

The award will be officially announced on Friday, the Emperor's birthday, and almost coincides with the visit to Britain next week of Noboru Takeshita, the new Japanansese Prime Minister.

It is odd that Macrae, who not only discovered Japan for the west but has also been writing about the virtues of the enterprise culture long before most members of the present British cabinet ever thought of them, has not been similarly rewarded in his own country. His only other medal is the Burma Star, which he won in the war. Macrae is 65 this year and probably retiring.

Saab building

One of the better pieces of junk mail to arrive through the letter box recently was a booklet called: How to build your own Saab. We read it with interest, but decreasing enthusiasm. Building the engine was difficult, but not impossible. The rest, said the booklet, was plain sailing, although when it came to climate control it would help to have a first class honours degree in engineering.

Actually, it was not a do it yourself book at all, but an advertisement to buy a Saab ready-made. As such, it looks like a winner.

Fortune smiles

Margaret Thatcher's Britain has won if not the ultimate accolade, at least one not be sniffed at.

The cover story in the forthcoming issue of Fortune International is headed: Britain is Back! "After decades of decline," it goes on, "the world's oldest industrial power has recovered its prowess." Among the winners it picks up are ICI for leading the way in internationalising its business, British Steel for surpassing even the West Germans in its efficiency, and Glaxo for its Zantac drug.

Some 20 years ago the best that American magazines could do for Britain on their covers was to write about Swingin' London. Fortune provides the greater compliment, though oddly enough it should be possible to have both.

Howe speaks up

Sir Geoffrey Howe, the Foreign Secretary, has taken over from Lord Whitelaw as the man who tries to soothe the Tory Party when it is in trouble. Hence his remarks at the weekend about the revolt on the poll tax: "We must not allow ourselves to become unduly distracted by an important but second-order debate over detailed mechanics."

The only trouble about that is that over the years Howe himself has so often seemed to become bogged down in detail. That reputation is largely unfair, but it would help sometimes if he could speak out a bit more clearly.

He did it, also at the weekend, over Ireland when he showed some sympathy for the view of Charles Haughey, the Irish Prime Minister, that the Republic is not getting all that it is entitled to expect out of the Anglo-Irish Agreement. He should keep it up. Howe is, after all, now the nearest Britain has to an active elder statesman.

New television

"I want a really controversial programme that won't upset anyone," said the up-and-coming television producer. He is willing to work either for the BBC or ITV.

Nevada's gold rush

Hidden riches in cowboy country

By Kenneth Gooding and James Buchan

ELKO, just off Interstate 80 in the ranch and sagebrush country of northern Nevada, is the last stronghold of the cowboys. They arrive in force on Saturday nights with six-guns strapped to their hips. Jim, a former gun-toting sheriff of Elko, points out that it is only illegal to carry *concealed* weapons.

He says the policy helps to keep the peace. But lately there have been some shootings as the town has undergone a transformation wrought by that stuff of Wild West legends – gold.

One man shot another who had "been messing around with his wife," says Jim. There were two murders within a few days of each other on the highway outside Elko, and a man shot himself and blew up his car outside the Esquire Motel on Idaho Street.

"You can't hardly recognise this place," says Mrs Lorena Bauers, manageress of the Marquis Motor Inn. "It used to be a sleepy cow town. It's gold that brings all the riff-raff in."

Elko, with 13,000 people, is the fourth largest town in Nevada. Until recently, it relied mainly on tourism and gambling for its income. Now it is in the middle of a gold rush.

Straddling Interstate 80 is a 70-mile tract of mountain and cattle range beneath which is the Carlin Trend, a muddle of faults zones and geological overthrusts, which is the best gold formation outside South Africa and the Soviet Union.

The Nevada gold rush has already helped the US overtake Canada to become the third largest gold producer after South Africa (640 tonnes a year) and the Soviet Union (250 tonnes). The state's 1987 output was 108 tonnes.

By the early 1990s, the Trend alone could be producing 2m troy ounces (60 tonnes) of gold a year. Reserves are probably many times greater than the 30m oz of gold so far identified near the surface.

Many of Elko's inhabitants now work for one of the companies which are using the town as a prospecting base: American Barrick, the Cordex Syndicate, Freeport McMoRan, Newmont and Placer Development.

The new Nevada gold rush is very different from the first, 100 years ago. Gone are the days when a prospector could find gleaming gold nuggets in a stream bed. In place of the high-grade lode mines (where a vein of gold was dug out), the 30 or so new Nevada mines are all very low grade epithermal deposits of disseminated gold – tiny particles invisible to the naked eye – on or just below the surface. The grade is usually around 0.1 oz of gold per tonne of ore, but some get by on less than 0.04 oz because of open-pit mining and modern technology.

Jerritt Canyon, 50 miles east of Elko and 65,000 feet up in the Independence Mountains, does not have the advantage of being on the Carlin Trend. But since it started in 1981 it has consistently been one of the top three gold mines in the US.

It is 70 per cent owned by Freeport McMoRan Gold with FMC Corp as its 30 per cent partner. Freeport reckons the mine shifts 40,000 tonnes of material to obtain 4,500 tonnes of ore and uses 20 tonnes of chlorine for the daily production of one 56 lb "button" of gold, worth more than $350,000 at current prices.

The ore at Jerritt Canyon must be turned into an oxide before gold can be properly recovered. The crushed material is put through a chlorination process, which adds more than $40 an ounce to the production cost. However, because open-pit mines are so cheap to develop and run, the cash production cost at Jerritt is only $157 an ounce, well below the Western average, and $248.41 an ounce after depreciation and amortisation is taken into account. Compare that with the $445.66 an ounce Freeport realised on its gold last year.

Last year Jerritt processed 1.51m tonnes of ore at an average grade of 0.215 oz a tonne. Gold production reached a record 315,861 oz. This helped Freeport McMoRan Gold achieve net income of $35m in 1987 on revenue of $101m, up from $14m and $69m in 1986.

Freeport has the prospecting rights to a large area of land in the Jerritt area and discoveries are more than keeping pace with output. It has 36 other active gold prospecting projects under way. Although the prospects are not all in Nevada, the company is more than playing its part in the frantic search for gold covering virtually the whole of the state.

Over at Newmont Gold, which controls four-fifths of the Carlin Trend, Mr Peter Philip, the president, says: "We are in lion country." That can be taken in more than one sense. For the hidden riches that Newmont Mining inherited when it bought the T Lazy S cattle ranch for $35m in 1962 lured a pack of stock market predators last year, which all but the tore apart the company. Though Newmont Mining has survived, it has been forced to carry on extraction at a breakneck pace to improve the value of its stock.

In early 1987, Mr Robert Zerga, a former copper man who is Newmont Gold's general manager, received a request for a tour of Gold Quarry, the best developed of the company's seven Carlin Trend prospects and the site of a vast open-pit mine. The request came from Galactic Resources, a small Vancouver company which owns an interest in a prospect at the northern end of the Trend.

On August 30 last year, Newmont Mining, the parent group, received a $6bn takeover bid from a group called Ivanhoe Partners, led by the roving Texas takeover specialist, Mr T. Boone Pickens. Included in the group was Galactic Resources.

Newmont Mining fought off the attack, but at tremendous cost. The company was transformed overnight. Instead of a well-capitalised company, with $640m in cash to deploy in mining operations in the Trend and in Australia, Newmont Mining took on $2.1bn in debt to pay a special cash dividend to buy out the takeover speculators. Even then, the company only survived thanks to emergency buying of Newmont shares by the British and South African capital represented in Consolidated Gold Fields, which now owns 49.7 per cent of the company.

Newmont Mining faces big challenges. By the turn of the decade, Newmont Gold wants to produce more than 1.5m oz a year – more than any company outside the great mines of the Transvaal.

But the debt level has left the parent company Newmont Mining highly vulnerable to the volatile gold price, which has tumbled since the stock-market crash last year. It has also severely constrained Newmont Mining's ability to raise conventional financing for its operations. Newmont has taken a bold step to restructure its finances by borrowing 1m oz in gold which will be paid back over five years. The deal raised about $450m, but it mortgaged much of the Nevada production.

Newmont tore up the old mining plans for the Carlin Trend and adopted the most radical programme Mr Zerga and his colleagues could devise. After producing 585,000 oz last year, it is looking for 930,000 this year and a peak of 1.63m in 1991.

The capital and technology requirements are daunting. All the high grade ore was stripped off the surface by Newmont in the 1960s. The remainder is in the range of 0.01-0.1 oz per ton of ore. Mr O. D. Christensen, who runs exploration for the Newmont companies in Elko, says: "The very large grains are one part per million. We're talking about the consistency of cigarette smoke."

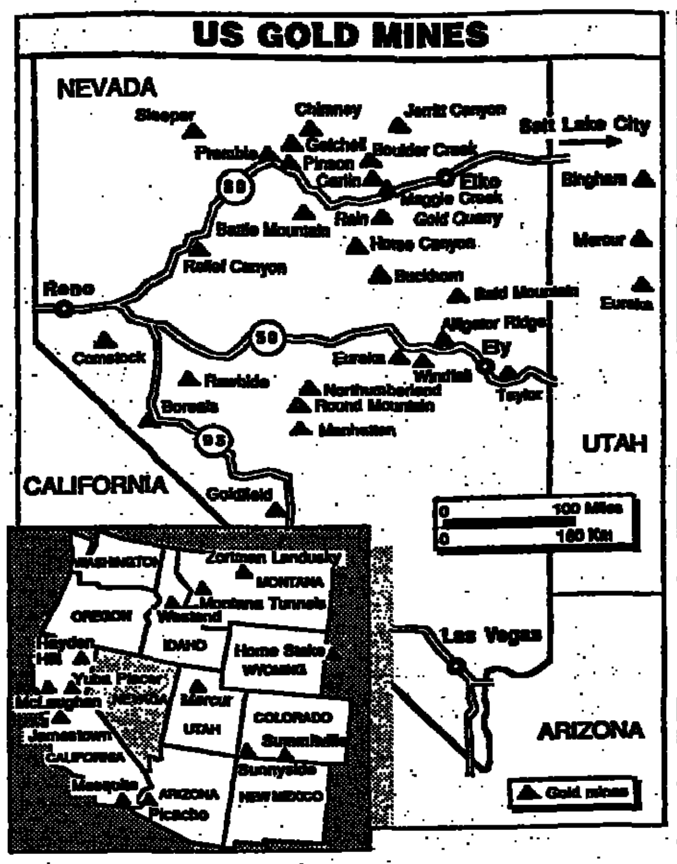
To make Gold Quarry mine pay, Newmont Gold uses a complex computer-based statistical process called Kriging. On the basis of sampling and chemical tests, the computer selects for each load of ore the treatment that gives the optimum financial return: straight milling for the highest grades, more wasteful heap-leaching for lower grades and refractory ore treatment or no treatment at all. By doing this, Newmont Gold believes it can keep its cash cost, including royalties paid to the former owners of the ranch for Gold Quarry production, to less than $200 an ounce. But to maintain that rate, it will consume capital almost as voraciously as ore.

At present, Newmont Gold has just two crushing mills and a flat expanse or pad for leaching. One mill, at the old Carlin mine, goes back to the 1960s. The second, at Gold Quarry, was built in 1985 to crush 7,000 tons of ore a day. One day earlier this year, it was doing 11,000 tons.

Newmont Gold wants to build a mill and leach at its Rain prospect in the south and for a clutch of prospects, including Bootstrap, Genesis and Blue Star, in the north. If all goes well, Newmont Gold should be generating so much cash by 1990 that it can cover its capital costs and come to the aid of its strapped parent Newmont Mining.

Of course, things may not move as smoothly as the five-year mining plan suggests. But one day early this year, drilling in the snow near the site of the mill, Mr Christensen pulled out a core which he assayed at 0.93 oz per tonne for 470 feet of its length. To somebody who is not a gold miner, this sounds like a lot of ore and a little gold, but the industry knows better. Mr Christensen chooses his words carefully to describe it. "It was," he says, "the greatest hole drilled in the history of gold mining."

US GOLD MINES



Regulating the City

Improved protection for the public

By Clive Wolman

THE NEW investor protection framework and City regulatory structure, the implementation of which reaches its climax on Friday, is a political anomaly.

It is one of the few exceptions to what has been the most striking economic policy of the Conservative government over the last nine years – the rolling back of state intervention in the economy and the ever-greater emphasis placed on freely operating markets.

As a result of both the Financial Services Act and the Guinness affair, government policy towards the prevention and prosecution of suspected malpractice in the financial markets has been much more active and interventionist over the last two years than in any period of Labour governments.

A booklet published today by the Institute of Economic Affairs implicitly exposes this paradox by challenging the fundamentals of the new City regulatory framework from the standpoint of free market economics. Its main interest is that it poses the questions that appear to have troubled Lord Young, since he took over as Trade and Industry Secretary last year and to have prompted his first moves towards a relaxation of the new regime.

The key question is: what is so *special about the markets for* financial services to justify the imposition of a such an all-embracing, complex and, it is assumed, extremely costly regulatory system? The underlying criticism in the booklet is that neither Professor Jim Gower in his original report nor the Government nor the new regulatory organisations have attempted to compare the costs and benefits both of regulation in general and of specific rules.

In fact the economic premise underlying the new regulatory system - even if rarely stated explicitly - is soundly based. This is that retail financial services suffer from market failures more serious than elsewhere in the economy. In his far-reaching critique of the new regime in the IEA booklet, Mr Charles Goodhart, professor of banking and finance at the London School of Economics, identifies this fundamental failure as the assymetry of information between the provider of the service and the inexperienced small investor.

He argues, however, that similar assymetries exist in the provision of many other services such as medicine, law and accountancy. The complexities of the services offered by these professions and the difficulties for the layman in deciding who is providing value for money are just as great, yet they are subject to a much more limited form of self-regulation. So why should the public be given so much more extensive protection against stockbrokers and insurance brokers?

*One difference is that the pro*viders of financial services sell themselves much more aggressively than any of the professions. At least they have done in recent decades, although illuminating analogies can be drawn between those investment managers who claim particular insight and expertise in spotting under-valued shares – with little justification – and the medical quacks of the 17th and 18th centuries.

A second difference is that the amounts of money that the small investor puts at risk in financial products are much greater than the typical fees paid to lawyers and accountants. And often the individual makes much longer term commitments to financial products. It may be 25 years before the individual can evaluate a life assurance policy or pension plan. Thus the experience gained through repeat purchases, which plays such an important part in protecting consumers in most areas, is of little value.

The final difference is that the small investor has great difficulty in evaluating not only the services that he has been offered but also the amount that he is actually paying the provider in the form of deductions from his investment. Because the industry's raw material is money, its practitioners have much more scope for taking covert forms of remuneration than, say, a doctor charging £40 an hour.

Life assurance, which attracts £18bn of premiums each year, highlights all these differences. In the with-profits endowment policy, for example, which is one of the most popular with door-to-door salesmen, the individual will typically invest more than £10,000 over 25 years. On receiving the pay-out when his policy is surrendered or redeemed, he will have little or no idea of how much money the insurance company has effectively charged him for its services and whether his investment has given him higher or lower returns than he might have expected.

Even the most ardent laissez-faire economists – with a few quasi-anarchist exceptions – concede that markets can operate efficiently only within the framework of legal and cultural norms which, for example, allow people *to make contracts* in the belief that the counterparties are not acting deceitfully and that, if necessary, those contracts can be enforced. And a fundamental principle of contract law, is that an agent – a category covering stockbrokers, insurance brokers and fund managers – must act in the best interests of his client and must obtain his fully informed consent in any situation where their interests may conflict.

Nearly all the lengthy and complex conduct of business rules drawn up by the Securities and Investments Board and the self-regulating organisations are merely designed to flesh out that basic principle and to allow small investors to enforce it swiftly and cheaply. Many of the rules would normally have been established by case law. But the strong traditional reluctance of the City to become involved in litigation and the very recent emergence of retail financial services as an important sector in the economy has meant a dearth of case law.

The annual costs of complying with these rules beyond the dictates of sound commercial practice, and of monitoring and enforcing that compliance, are probably at least £100m, as Professor Goodhart suggests.

However, the costs and misallocation of resources under the old regime have been much greater, in particular the costs of deploying large sales forces to knock on people's doors and persuade them to invest in costly insurance policies which are not the best suited to their needs. Even a small improvement in customer decision-making in this area alone should outweigh the costs of regulation.

Letters to the Editor

Nuclear rates of return

From Mr P.E. Watts.

Sir, Max Wilkinson's article (April 18) suggests that the proposed Hinkley Point C nuclear power station will be uneconomic when the Central Electricity Generating Board (CEGB) is privatised, because the rate of return on capital in private industry generally is about 10 per cent, and not the 5 per cent currently expected of the CEGB.

In practice, the real rate of return earned by manufacturing industry in the UK varies according to the state of the trade cycle. Over what appears to be the last two cycles, the average rate of return for the period 1973-1986 was 4.7 per cent, with the highest at 7.9 per cent in 1973 and the lowest at 2.0 per cent in 1981.

Even if the inspector at the public inquiry into the Sizewell B nuclear power station (which Hinkley Point C would replicate) had used the highest of these returns, and his least favourable assumption about fossil fuel prices, he would have found Sizewell B more economic than a new coal-fired station.

This would be so even allowing no credit to nuclear power for diversifying fuel supplies. Hinkley Point C would be more economic than Sizewell B because it would not carry that station's launching costs, and would benefit from the experience of its construction.

It could, of course, be argued that industry applies a higher rate of discount in appraising projects than it actually earns. However, this is true only if investment proposals are based on optimistic rather than central estimates. As the CEGB made clear at the Sizewell inquiry, it bases its investment appraisals for new power stations on central estimates.

P.E. Watts,
Economic Adviser, CEGB,
Sudbury House,
15 Newgate Street, EC1

Macro-symbiosis in energy

From Mr Norman Jenkins.

Sir, Your leader "Collaboration in Electricity" (April 14) appears to be just the kind of constructive criticism needed at this stage of the debate. Solo electricity producers will continue to combine to protect their interests; those linked to distribution, likewise.

Waiting in the wings is the Paris-based UNIPEDE (International Union of Producers and Distributors of Electrical Energy) and the better known World Energy Conference, the latter an organisation that has never relaxed its allegiance to world power. Both will endeavour to reduce the impact of change.

Your leader made no reference either to the Electricity Council and its successor as central marketing organisation, nor to the admitted failure of the 1983 Act to promote and encourage combined heat and power. It is the latter which can and must provide effective competition.

There are already several groups of companies – formed mainly from redundant executives of power station building constructors – actively selling in-house energy provision, asking only for room for their plant and a tariff of 2.5 pence for electricity, undercutting British Gas price for heat. True macro-symbiosis in energy.

The fall-guy – the new director-general of electricity supply – is going to have a hard if not impossible task, were his services to be limited to electricity alone. The absurd competition between electricity and gas for the heating market would be better resolved if this appointment were to incorporate total energy services, ensuring least waste of the resources now being used far too profligately.

Every unit of heat supplied electrically costs three of primary fuel. There is no case for expanding electricity supply capacity on the basis of specific uses: all such consumption is steadily reducing. To permit and encourage sales of electricity for heating is to set at nought all the expenditure on energy economy and its extensive national campaigns over the last decade.

Norman Jenkins,
Whitehill, Ewshot, Farnham, Surrey

Cold showers in the Square Mile

From Mr R.S. Cutler.

Sir, I have followed the correspondence on umbrellas with interest, but not without irritation. The plain fact is that all umbrellas are anti-social. Particularly lethal are the automatic variety; if opened carelessly they can inflict painful injury.

The considerate solution for rain protection is the raincoat. The choice of styles, from the military to the common "flasher", gives far more scope to the fashion-conscious than the motley collection of available umbrellas. A hat completes protection – although some might argue that the more frantic brains in the Square Mile would benefit from the occasional cold shower.

R.S. Cutler,
Four Winds,
Dormans Park,
East Grinstead, Sussex

Nurses may choose partnership loans

From Mr Jeff Wagland.

Sir, Shelter's report on Nationwide Anglia's Partnership Mortgage Scheme for national health service staff (April 21) does not tell the whole story.

It is true that, over five years, a nurse with a £50,000 mortgage would save about £10,000 by opting for a "partnership" rather than a conventional mortgage; and that Nationwide Anglia's share of the equity realised after five years, assuming that we have made a 100 per cent loan, would be about £25,000.

But this does mean, of course, that the nurse will have a profit of £25,000 as well – based on the assumption that house prices in London will rise by 15 per cent each year. Our most conservative estimate for 1988 puts London price rises at 20 per cent.

Since we only take into account the first 15 per cent of any annual increase in value when working out our equity share, any profit over and above this goes directly to the nurse.

Jeff Wagland,
Nationwide Anglia Building Society,
Chesterfield House,
Bloomsbury Way, WC1

Colourful language

From Mr E. Geyve Walker.

Sir, Norman Tebbitt's remarks concerning the "stinking hypocrisy" of certain critics of South Africa made your front page (April 21). Would he be surprised or upset to see his comment that apartheid was "unacceptable" relegated to the bottom of page 10?

Geyve Walker,
The Old Vicarage,
Barton,
Tirril,
Penrith, Cumbria

Savers must be offered a reasonable after-tax reward

From Mr G.D. Cox.

Sir, Professors Fitoussi and Phelps (April 13) claim that Europe's economic ailments stem from excessively high real rates of interest, emanating from the US. Their view would appear to be – at best – partial.

From the saver's point of view, all that counts is the *after-tax* interest. Taking the authors' US inflation forecast of 3.5 per cent during 1988, current Treasury Bond yields of 8.7 per cent and an average marginal tax rate of about 30 per cent, the real net interest rate is 2.6 per cent rather than the real rate of 6.4 per cent quoted in the article.

Another equally important partiality is that the authors choose to look at long term fixed interest rates. If borrowers choose this form of funding they must expect to pay a premium to the investor to compensate him or her for the risk of the bond price falling in the future. Until the memories of the last 20 years' interest rate volatility fade, this premium will remain relatively large even if fiscal deficits are reduced.

The true interest rate is the short term quote. In the US, such rates stand at about 6 per cent gross for savers and represent an after-tax rate of about zero in real terms. Even for the lower paid, on a marginal tax rate of 15 per cent (Federal), the real net rate is only 1.5 per cent.

In any well managed economy with long term stability as an objective, savers must be offered a reasonable after-tax reward for choosing to save rather than consume. If the zero to 1.5 per cent real net short rates in the US are considered in this light, it can hardly be argued that interest rates are at excessive levels. The only derogation from such economic law would be in a situation of recession or, perhaps, stagnant demand. But this is clearly not the situation in the US today, and "slump" is hardly applicable to the current situation in western Europe.

Uncontrolled international capital flows will tend, as the authors suggest, to equalise real interest rates. Whether or not this global level is excessive, borrowers in some low growth European countries may feel the burden to be excessive because of a poor rate of return on capital investment.

G.D. Cox,
107 Cheapside, EC2

FINANCIAL TIMES

Monday April 25 1988

Janet Bush on Wall Street

Missing the point about a scapegoat

STOCK INDEX arbitrage has become the undisputed scapegoat for the October equity market crash. Politicians regard it as nothing more than an instrument of greed, speculation gone mad. For many individual investors, incited by scare stories in the press, it simply proves that the big boys on Wall Street have got the financial markets sewn up for their own purposes – forget the man in the street. In these post-crash days, emotions run high.

These attitudes miss one crucial point about stock index arbitrage which is that this trading strategy responds to market conditions. The arbitrage is triggered when the futures and cash markets move to a particular price differential. The arbitrage itself is not the source of the initial market movement.

There is also a great deal of confusion between stock index arbitrage itself and portfolio trading.

Around 30 per cent of all equity assets of the top 200 pension funds, or $150bn to $200bn, is indexed. Indexed portfolios are modelled as closely as possible on a basket of stocks represented by a market index such as the Standard & Poors 500. In order to track that index, which has proved consistently more profitable than old-fashioned individual stock selection and considerably less time-consuming, these institutions need access to efficient trading mechanisms allowing them to buy and sell baskets of stocks simultaneously.

Portfolio traders often use stock index futures contracts to hedge their exposure - so-called stock index arbitrage.

Amazing as it may seem given the growth of indexing and portfolio trading over the past few years, there is no such mechanism. In its review of the October stock market crash, the Securities & Exchange Commission acknowledged the need for an exchange system which would serve institutions wishing to trade the stock market in this way and proposed the idea of a specialist to make markets in stock baskets.

As the system stands, a portfolio of shares cannot be traded as a portfolio but has to be broken up into individual orders. This is time-consuming and means that the chances of an imperfect trade are higher. Perhaps a specialist cannot match a buy and sell order for an individual stock and the institution ends up with trading only 495 of the 500 stocks in the index. Or perhaps it takes too much time and the price moves against the institution.

In other words, the "sanctity" or "integrity" of a basket trade as one arbitrageur put it, can be lost.

Mr Louis Margolis, managing director of Salomon Brothers said: "We believe portfolio trading is the block trading of the 1980s and 1990s. We would like to bring the capital and distribution of the securities houses to portfolio trading in the same way as we did with block trading of individual stocks."

He said a market mechanism needed to be set up which would allow the matching of buy and sell orders of portfolios.

The industry is examining ways in which an efficient system could be set up for electronic trading of portfolios of stocks and how, for example, the pricing of portfolios being traded is reflected in and feeds through to the price of individual component stocks.

In the context of these fundamental structural possibilities, the New York Stock Exchange's curbs on the use of its Superdot system for stock index arbitrage is almost irrelevant. Given the very real fear of stock index arbitrage in the market - whether justified or not - the curbs may serve the limited purpose of simple reassurance.

Traders estimate that the volume of stock index arbitrage has perhaps halved and the size of trades has diminished. Securities houses with the resources can still execute stock index arbitrage trades even after the limits have gone into effect by walking the orders to specialists on the floor. The costs of this trading strategy have soared.

Richard Sandor, senior vice president of financial futures and options at Drexel Burnham Lambert, believes a far more effective way anyway to dampen volatility would be to impose price limits on futures contracts.

Arbitrage itself is a useful tool to keep futures and cash markets in line. One futures industry expert said: "The New York Stock Exchange limits, by definition, say that the exchange is willing to let markets go out of line more because it takes longer to execute the arbitrage."

The action taken by the NYSE is an attempt to limit a trading strategy rather than to respond to the long-run investment trends which created it.

The curbs surely provide no long-term solution.

Victor Mallett in Casa Banana looks at the battle to bring aid to war-torn Mozambique

Where death and fear defy donors

THE LUSH Mozambican countryside has become a place of sudden death, constant fear and almost unimaginable suffering, a disaster on such a scale that it seems certain to defy the best efforts of the outside world to provide a remedy through food aid and military assistance.

Casa Banana, a fortified village in Sofala Province under Gorongosa Mountain, is a long way from the capital Maputo where donors are meeting this week to consider the Government's request for $380m in emergency aid.

But its inhabitants are typical of the 6m Mozambicans, nearly half the population, who so desperately need help this year. Once the dirt airstrip here on the banks of the Vundusi River was used by elephant-hunters, and bananas were sold at the house that gave the place its name.

After Mozambique's independence from Portugal, Casa Banana became the headquarters of the ruthless South African-backed guerrillas of the Mozambique National Resistance (MNR). Now, after changing hands three times in the war, it is a strategic hamlet of 10,000 people occupied by the Zimbabwean troops who help the Frelimo government forces fight the MNR.

Mr Bire Nyamazao recently arrived with his emaciated family after three days' walk without food through the bush from his rebel-held home village. People were starving there, with nothing to eat except leaves. He tells his tale in a hoarse voice after greedily drinking maize porridge from a tin plate clutched in shaking hands.

One of his children, aged seven, died on the journey. One survived, pitifully thin. Also with him are his wife (his other wife died during a previous escape attempt) and his niece, prematurely aged by suffering, with her surviving child. Another died and her husband, a Frelimo soldier, has disappeared.

Nearby a little girl drinks filthy water out of a half coconut shell. Her mother cradles a starving child and relates how she was forced to carry hippo meat for the rebels in a column of slaves. Those who ran away were shot.

There may be food in Casa Banana, but not very much. Floods have washed away a bridge and the village is accessible only by air. Here in Sofala province, the hungry are getting only about a quarter of the food they need, flown in by some of the oldest DC-3 aircraft in the world, chartered by the state airline and paid for by European donors.

One crashed recently in Zambezia Province, apparently because of engine failure, killing the foreign crew of two. The International Committee of the Red Cross has suspended many of its food flights since December because of threats from the MNR, which wants aid to be flown to rebel areas, too.

Children die every week, suffering from malnutrition, diarrhoea, malaria, pneumonia and anaemia. "Malnutrition is the worst problem we have here. It affects almost all the children," says the medical officer in Casa Banana, Dr Victor Camisola. "Last month 15 children died of diarrhoea."

The distinction between dying of hunger and dying of malnutrition seems to be academic. Farming is impossible except in a small area just outside the mud ramparts of the village, leaving the population almost entirely dependent on the airlift of food aid. Three civilians were killed by rebels a few days ago, not far from the foxholes of the defending Zimbabwean troops.

To make matters worse, some of the Frelimo troops seem to be pursuing a scorched earth strategy to deprive the rebels of food, and one woman said they burned her crops and forced her to come to Casa Banana.

"These are the masses that we *recaptured back from the* enemy," says a Zimbabwean officer, pointing at the settlement. In the provincial capital Beira, Mr Manuel Nogueira, provincial director of the state's disaster relief organisation, outlines the sort of authoritarian communist policies that drove so many of the conservative peasants of central Mozambique into the arms of the MNR in the first place.

In Ethiopia the policy is called villagisation. "It is the policy of the Government to move people into permanent concentrations," says Mr Nogueira. "It could be a drastic change, but it's a change which guarantees rapid civilisation and greater development . . . for 500 years they have lived dispersed and isolated. What has it brought them? Nothing."

However, the military and ideological aims of pushing people together into large communities are not pursued with such vigour by more diplomatic officials in Maputo.

Mr Nogueira himself denies that government troops burn crops, even if they encourage people to move to protected government areas. In Caia, once a prosperous agricultural centre and now a refugee community of some 9,000 near the Zambezi River, the situation is even worse than in Casa Banana. As we entered the town (again only reached by air) two Mozambican soldiers were being carried back in stretchers from a patrol, their legs shattered by anti-personnel mines.

The hospital is a grim sight, with no water, no electricity and no beds. Women beg visitors in the corridors for food for their children. On the concrete floor a wasted child lies listlessly on the remains of a cardboard box. Measles is rampant, killing children already weakened by hunger.

Everywhere the refugees are desperate *for food. No one will* ever know exactly how many Mozambicans are dying of hunger or malnutrition or in the fighting, although a recent report commissioned by the US State Department said the MNR may have killed 100,000 people.

In the past eight months, more than 1,000 people are known to have died in a series of massacres. Pillage, rape and mutilation are routine. Thousands of children have been orphaned.

It is against this background that Mozambique launches its plea for emergency assistance this week to cover 1988 and part of 1989. But even if the war ended today, it would take many years and billions of dollars to restore *Mozambique to any kind of normality*. The foreign help being channelled to Mozambique is, in the words of one aid worker in Beira, no more than rudimentary first aid.

European telephone plan gains momentum

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

DETAILED proposals for developing a common, pan-European system for leasing private telephone lines used by business customers are expected to be completed by a European working party in October.

Work on the plan is being pushed forward as rapidly as possible following the conclusion last week of a European Commission report proposing an ambitious move towards a harmonised telephone network within the European Community.

The report, prepared in the wake of the EC's policy document on telecommunications last year, says that telephone administrations in the Community should offer customers fair and equal access to basic transmission facilities.

To achieve this target officials have come up with a radical new proposal for what they call open network lines – telephone circuits that would be provided in addition to existing networks on the basis of a common European code of practice.

These regulations would cover such issues as maximum delivery periods for new telephone lines and *minimum* levels for quality of service and maintenance. They would also lay down the conditions under which customers running their own private lines leased from a telephone company would be able to resell capacity on them to a third party.

Work on telecommunications reform has come under the spotlight in the EC because of the wide variety of technical operating standards, conditions of use and tariffs throughout the Community.

Business uses have been particularly vociferous about the negative impact these differences have upon their performance, particularly in a period when many businesses are becoming dependent on their ability to transmit data between different buildings and companies.

To tackle these problems, action on leased lines is seen as a priority. Officials argue that a common system of leased lines throughout the Community would both help companies develop their own networks, and also stimulate the market for independent data services that use the telphone system. At present data networks – known as value added services – are inhibited from going international because of restrictions on the use of leased lines in some countries.

Many users would like, for example, to have a Europe-wide system for reverse charging, or a facility that would allow billing at just one centre within the EC, even though the leased line went across different countries.

The most contentious issue involving leased lines concerns tariffs. These vary widely in the Community, with some countries, such as West Germany, basing their prices on the volume of calls going over the leased lines, and others charging a straightforward basic rate which give the user the right to make calls at will.

The working party has not come up with any proposal on the level of tariffs, but it would like to see a common pricing structure. If this approach were adopted, officials believe that it would tend to cause some convergence in rates because comparisons between services offered in different countries would be much easier to make.

US steps up pressure, Page 3

Leningrad calls on Sam not to hang up

Continued from Page 1

prompted that opening of the dam but it has now become a regular feature of our contact with the audience in the Soviet Union," Mr Tusa told the European Atlantic group of Members of Parliament (MPs).

Although in Romania phone calls are still strictly rationed, in Bulgaria, as in the Soviet Union, telephone contacts with the West appear to be getting easier.

The Bulgarian service of the BBC received 290 phone calls from Bulgaria in February – an unprecedented number.

Mr Tusa told MPs that the BBC had been moving quickly to take advantage of the end to the jamming of its broadcasts in both the Soviet Union and Poland. The corporation had revamped programmes and was attracting larger audiences as a result.

Soviet jamming of BBC Russian language services ended in January 1987. Since then, the BBC has reduced the number of repeats and re-designed or introduced new programmes. The BBC estimates that jamming cost $800m a year.

Argument, a programme introduced in September which covers current affairs in a lively way through discussion and interviews, was praised by most of the 194 people who phoned from the Soviet Union in January.

Mr Tusa said that one caller from the town of Vladimir remarked on the programme's "philosophical approach to world problems and its higher professional standards."

The Russian service, which now broadcasts a continuous run of five and a half hours of programmes each evening without any repeats, plans to re-style its other main current affairs programme, London View.

The BBC's weekly audience in the Soviet Union is estimated to have increased from 14m to 16m since the end of jamming.

In Poland, where jamming ended on January 1 this year, the effect has been even more dramatic, Mr Tusa said.

Since 1980, when jamming was introduced, the audience has doubled and, according to provisional estimates, amounts to 48 per cent of the potential listeners.

The Polish sector of the BBC has, like the Russian sector, responded by "re-invigorating their output" with fewer repeats of features and a new pattern of current affairs programmes.

Arafat in Syria for talks to end five-year freeze

Continued from Page 1

in Lebanon and advance the uprising in the occupied territories.

Mr Farouk Kaddoumi, in effect the PLO's Foreign Minister, told the Financial Times in Damascus at the weekend that the organisation was focusing in its discussions with Syria on preparations for a special Arab League summit due to be held in Algiers in June.

Mr Kaddoumi, who has been leading a PLO delegation in conciliation talks with the Syrians, said the summit would examine ways in which Arab states could extend their support for the Palestinian uprising in the West Bank and Gaza, and exert diplomatic pressure on Israel.

The assassination in Tunis last weekend, apparently by Israeli commandos, of Khalil al Wazir, the PLO's military commander and Mr Arafat's closest aide, speeded the process of reconciliation. The Syrians have, in any case, been under pressure from the Soviet Union to resolve their differences with the guerrilla organisation.

Moderate Arab states such as Jordan, Egypt and those in the Gulf will not necessarily be overjoyed at prospects of a reconciliation between Mr Arafat and Mr Assad.

Mr Arafat's arrival in Damascus indicates that, at the very least, significant progress has been made this week in discussions between Mr Kaddoumi and senior Syrian officials. However, the question remains whether the deep personal enmity that is said to exist between Mr Assad and Mr Arafat can be overcome.

WORLD WEATHER

Executive rejoins Olivetti

Continued from Page 1

from lifting its stake until April 1988. This was pushed forward to 1990 when the deal was renegotiated in November 1986.

In recent months the companies have held numerous discussions about the share stake and the type of computer standard Olivetti may decide upon for its new LSX line of mini-computers.

The LSX line is a strategic move by Olivetti to generate revenues in the mini-computer market.

AT&T is gambling heavily on the new SPARC computer standard it is developing with Sun Microsystems of California. But Olivetti's new mini-computer line is currently based upon the Motorola 68000 series of microprocessors and the Italian company is considering the adoption of the Motorola 88000 super-chip, the main rival to the AT&T/Sun standard.

Officials of Olivetti have insisted on the "freedom" to choose between the AT&T/Sun and Motorola standards, although AT&T last week denied that it was trying to "impose the SPARC chip on any company, including Olivetti."

THE LEX COLUMN

Why bigger is not always better

It would be reassuring if a heavyweight City of London institution, such as the Pru, was to stand up at next Wednesday's extraordinary general meeting of Barclays Bank and explain why it could not support the directors' request for a two-thirds increase in the bank's authorised share capital. Barclays' £921m rights issue, which is dependent on the present owners of the bank agreeing to a significant dilution of their stake in the business, is the largest capital-raising exercise undertaken by a bank in Europe, if not the world, and it has yet to make a convincing case on why it needs so much money.

* Total return relative to the FT-A All-Share Index, Jan 1983 to mid-April 1988
Source: Warburg Securities

Barclays, which is capitalised at £3.2bn, has already issued £720m of new equity over the past three years, more than doubled the number of its outstanding shares and, with its latest massive cash slug, will have raised more new equity than all the New York money centre banks put together. Even before the latest rights issue, it had more common equity capital than Citicorp – a larger and more successful international rival – and, while it can be argued that major US banks are undercapitalised, it is difficult to spot an international financial services group, outside Japan, which will soon have as much equity capital at its disposal.

Barclays directors, who own 0.026 per cent of the issued share capital, believe that the rights issue is in the best interests of shareholders. However, this is open to debate, especially when viewed against Barclays' past performance. In terms of total return, its shareholders have fared worse than shareholders of all other major UK banks, save Standard Chartered, over the *past five years, according to* Warburg Securities. The group has also earned nowhere near enough profits to support its recent growth, which explains its constant recourse to shareholders for extra funds.

Admittedly, changes in the system of capital allowances in the 1984 Finance Act are partly to blame for the group's voracious appetite for new capital, and Barclays was hardly alone in having to set aside so much of its shareholders' funds for Third World debt provisions.

However, these excuses cannot explain the scale of the current cash call, and the March bank lending figures only add to the suspicion that Barclays' overriding objective is to regain its position as Britain's leading bank. Whether this objective can be matched by superior financial returns over the long term remains an open question. The profit potential, for example, of relatively new areas of expansion for Barclays, such as investment banking or positioning the bank to take advantage of the opportunities offerred by 1992, remain clouded.

Maybe the group will be able to develop sizeable new businesses which are as profitable as its traditional UK financial services operations, but the past record is not particularly encouraging, and an equally good case could be made for restricting the bank's growth to the amount that could be self-financed.

The other worrying aspect about the Barclays rights issue is that it demonstrates once again that the Big Four clearing banks do not face as rigorous market discipline as do other companies. They are effectively protected from failing and being taken over, by virtue of their size, and by pitching its rights issue at such a deep discount Barclays was never going to be in any danger of not getting its money. It is not difficult to see why the UK bank sector is trading at close to its all-time low against the rest of the market, and shareholders who permit massive increases in authorised share capital are as much to blame for this state of affairs as bank managements.

Swiss takeovers

To anyone not well versed in the ways of the Swiss market, the defensive moves by Ciba-Geigy and Sandoz to put a 2 per cent ceiling on holdings of registered shares must appear paranoid, tactless and unnecessary. When other European countries are excitedly scanning each other's markets for takeover possibilities in preparation for 1992, such xenophobic action by the Swiss is uncomfortably at odds with the general mood. Worse, it makes a displeasing contrast with Swiss companies' own international ambitions – as was clearly demonstrated this month by Suchard's unfriendly advances to Rowntree.

The new shareholding limits seem particularly uncalled for, given that Swiss companies are already among the world's least vulnerable to hostile takeovers. Most of them can simply refuse to register shares if they do not like the look of the owners, and many – including both Ciba-Geigy and Sandoz – already operate an informal 5 per cent ceiling.

Despite all the patriotic speeches, the perceived threat seems to come more from domestic than overseas predators, to whom the new restrictions scarcely apply. Foreigners are *generally restricted to owning* bearer shares, and as these mostly constitute a minority of the whole, an unwelcome takeover by a non-Swiss company is ruled out anyway. Instead, the new defensiveness has been prompted by the home-grown corporate raiders, who, although benign by international standards, have nevertheless caused a storm in Switzerland.

Indeed, the victims of Mr De Benedetti and Mr Icahn may be amazed to see how much fear Mr Tito Tettamanti's attempt to get a decisive stake in the engineering group Sulzer Brothers has created. Despite his worthy intention to improve the performance of the flagging company, the board refused to register the bulk of his shares, leaving him with a mere 10 per cent of the votes – which was nevertheless enough to leave the Swiss market badly shaken.

Perhaps the most charitable interpretation of the new restrictions is that the companies themselves are trying to make up for a system of corporate law which is over-vague, and offers little firm protection against takeovers. As shareholders in Swiss companies are not required to declare the size of their holdings, it is up to the companies to erect their own defences. The setting of a fixed limit on shareholdings seems preferable to allowing companies to choose who they give votes to without having to explain their decisions.

But while the principle of transparency is defensible, setting the level at 2 per cent seems extreme even on the most alarmist view of the risks involved. On the other hand, the argument that the low ceiling will restrict turnover in the shares of these companies is unconvincing. If the object is to increase activity on the market, there are easier ways of achieving it – like doing something about stamp duty, for example.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday April 25 1988

INTERNATIONAL BONDS

Frantic gamble on end-investor demand

THE EUROBOND market took a gamble last week and it would like to take another one this week.

The latest torrent of new issues recalled the market's heyday. Swap windows yawned open and borrowers and lead managers egged each other on to jump through them. By the end of the week – at least in sterling and Australian dollars – there was the all-too-familiar glut of new paper.

For most issues, it was not at all clear that the gamble on finding end-investor demand at profitable prices would pay off. Many were quoted at discounts to issue price wider than their total commissions, meaning that their managers were showing paper losses on unplaced bonds and were hoping to be floated off in time by price gains.

A number of lead managers, however, are itching to place another bet this week, chiefly because they think it carries very low odds. It would not be in last week's active sectors, which seem set for a break for digestion, but in dollars. They believe investors would snap up a high-quality dollar straight, preferably for a leading sovereign borrower, but possibly a top corporate.

The latent demand, they think, is not so much for two-year paper as for three, five, or even seven-year. The hunt is on to find a World Bank or a Sweden with which to test out the hunch, but there are no strongly rumoured candidates as yet.

It would in any case be a bold bank that brought a deal before Tuesday's preliminary estimate of US first-quarter gross national product.

The performance of last week's three dollar straights hardly supports the case. But these were argued by many to be simply for the wrong names: the two bank deals were treated more as money market instruments and demand for Fiat Finance seemed limited, though UBS (Securities) professed satisfaction as lead manager.

There is demand, say would-be lead managers, from investors in the Middle East and Switzerland as well as from institutions which are accumulating dollars through, for example, intervention in the currency markets. These have to be invested somewhere. Still conspicuously lacking, however, is Japanese interest.

It is easy to be cynical about last week's pell-mell rush of new issues. Banks never want to be left out when they see deals all around them. Clearly, 10 Australian dollar issues totalling A$785m cannot be absorbed in a week, particularly when eight worth A$500m had come in the previous week.

In sterling, supply probably exceeded demand even before Friday's dramatic fall in the gilt-edged market, which saw some Eurosterling deals slipping far outside their fees. Probably the worst nightmare belonged to Baring Brothers, which stoically gave substantial support to its SNCF deal at levels not far outside the fees while the gilt market fell away underneath it.

Yet virtually no deals in these two currencies came on terms viewed as wholly unrealistic. Moreover, they were backed by persistent demand for the currencies.

By Friday, the UK authorities' apparent inability to cut interest rates because of persistent credit demand seemed to suggest continued sterling strength. Though UK institutions might see little appeal in gilts, foreign investors can overlook the interest rate outlook given the attractiveness of the currency play – though doubters might say such speculative trading interest might be aimed at gilts rather than the less liquid Eurosterling market.

The Australian dollar, as one of the few remaining genuine high-coupon currencies, still finds favour in the Continental retail distribution networks of banks – though some bankers say demand in West Germany is far from sufficient to absorb the recent volume quickly.

Both the currency and bonds shrugged off Australian current account figures, even worse than forecasts, which had weakened the domestic bond market, temporarily widening the swap windows.

Even if there was too much eagerness to seize swap opportunities in the Australian and UK sectors, they were undeniably there. There was demand from corporates in both countries to lock in fixed rates, providing the bond issuers with attractive costs in floating rates in the same or other currencies.

Nevertheless, the end result was simply too many deals. This gives investors ample opportunity to select the names they want and to bide their time in the confident expectation that, if they do so, they will still be able to pick up bonds and probably more cheaply. The profitability of a number of firms in the still overcrowded Eurobond market is likely to be significantly affected, one way or another, by the current gamble.

Alexander Nicoll

EUROFINANCING

Société Générale raises $372m in private placement

PRIVATE placements of subordinated debt by banks have been an important feature of the international financing markets this year as banks seek quietly to boost their capital before new international standards are imposed.

Probably the largest in a series totalling about $4bn has been arranged by Société Générale, the French bank. Merrill Lynch International has placed $372m of 10-year subordinated floating-rate notes, an amount equal to about 8 per cent of Société Générale's most recently published capital funding.

The notes are understood to carry a margin of about ⅛ percentage point above London interbank offered rates and to have been substantially oversubscribed, having been initially targeted at $200m. The cut-off at $372m is thought to suggest, not a convenient amount for a swap, but that Société Générale plans a further capital-raising exercise soon.

Separately, Société Générale has been mandated to arrange a $400m loan for Société Nationale de Crédit à l'Industrie, borrowing with Belgium's guarantee for refinancing purposes. The five-year term loan has a margin of 10 basis points over Libor and front-end fees range up to 6.25 basis points.

Tate & Lyle, the UK sugar refiner which is making a $1.3bn hostile bid for Staley Continental of the US, has secured from a group of 14 banks the $1.8bn it was seeking to finance the acquisition.

The financing, arranged by the company itself, replaces a $1.3bn commitment provided by Chase Manhattan to underwrite the agreement. The loan is on almost the same terms as the Chase facility except that the margin of ⅜ points over Libor will fall to ¼ point once the net debt of Tate & Lyle falls below its tangible net worth.

Swiss Bank Corporation Investment Banking has arranged a $265m revolving credit for Avco Financial Services, a subsidiary of Textron of the US. The facility, increased from the original $200m, has a maturity of four years, a margin of 20 basis points over Libor and a utilisation fee of 5 basis points if more than half drawn. A commitment fee of 9 basis points is payable on the undrawn portion.

Bankers Trust International reports that syndication of a $120m multi-option facility for Investcorp, the Arab-owned investment bank, is going well. The three-year committed facility, underwritten by 12 banks, carries a 12½ basis points facility fee and a margin varying between 17½ and 22½ basis points depending on usage. Front-end fees range down from 30 basis points for a $5m commitment.

A $100m financing for United Jersey Banks, also being syndicated by Bankers Trust, carries a 12½ basis points facility fee, a margin of 12½ basis points, and utilisation fees of 2½ basis points if more than one-third used and 5 basis points if more than two-thirds drawn.

Merrill Lynch is expected to launch this week a £100m, five-year revolving credit for the Bradford and Bingley Building Society.

Crédit Suisse First Boston has been mandated for a $200m, five-year back-up revolving credit for Stora, the Swedish forest products group.

Stephen Fidler and Alexander Nicoll

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,363.2	0.0	186.0	8,708.8
Prev	1,219.0	13.5	0.0	8,610.3
Other	5,417.9	1.6	9.5	1,506.6
Prev	4,103.5	399.7	8.3	893.0
Secondary Market				
US$	14,018.2	1,532.3	7,929.8	4,835.9
Prev	11,725.4	1,238.0	5,044.7	5,210.4
Other	22,513.6	1,451.5	3,357.2	27,926.3
Prev	15,926.4	941.7	2,387.5	14,973.9

	Cedel	Euroclear	Total
US$	9,831.9	29,742.3	39,574.2
Prev	8,376.2	24,685.1	33,061.3
Other	26,967.7	34,216.5	61,184.2
Prev	16,991.0	22,643.0	39,634.0

Week to April 21, 1988. Source: AIBD

GM shelves bid to win back share of market

By Anatole Kaletsky in New York

GENERAL MOTORS has shelved its plans to recapture the big share of the American car market which it has lost to Japanese manufacturers.

In future, GM will aim to maximise its profits and become cost competitive at "roughly current sales levels," instead of seeking to regain the traditional market share of 40 per cent or more which it enjoyed until a few years ago.

The company would also cut back capacity, reduce costs and limit investment so that by 1992, all GM plants would be operating at full capacity, on the basis of a "volume outlook that is realistic", senior GM officials said.

The new strategy was outlined on Friday in a series of presentations to Wall Street analysts by GM managers, including Mr Robert Stempel, president and Mr Alan Smith, chief financial officer.

It amounts to a significant strategic reversal for the largest industrial company in the world and an admission that the large part of the US car market carved out by Japanese manufacturers is unlikely to be recaptured by the US, regardless of exchange rates and macroeconomic policies.

GM's share of the retail US car market in the last quarter was 37 per cent, up from the 34.7 per cent achieved last year but much lower than the 44.1 per cent of 1980.

For most of the past decade, GM officials have been insisting that they would rebuild the company's market share to around 45 per cent and even within the past 12 months, Mr Roger Smith, GM chairman, has spoken of 40 per cent as a minimum medium-term target.

GM's disappointing financial results have underlined the costs of pursuing this market-share battle.

Leading Japanese retailers post strong growth in earnings

BY CARLA RAPOPORT IN TOKYO

FOUR LEADING Japanese store groups reported solid profit increases for the year ended last February due to the continued domestic consumer spending boom.

Although noted for their high savings ratio, the Japanese have been turning to consumerism in the past year, in part because interest rates are so low and in part because of their increasing wealth.

Thanks to government stimulation of the domestic economy, the country has also been enjoying a housing boom in the past year. Both the spending and housing surges have benefited the country's store groups as Japan shifts from an export-led economy to a more dynamic domestic economy.

Sales of the four, Daiei, Ito-Yokado, Mitsukoshi and Takashimaya, increased nearly 7 per cent on average, while profits went up between 12 and 24 per cent. Profitability was helped by higher sales of high margin items, such as art and jewellery, and by the lower costs of imports thanks to the high yen.

Daiei, Japan's largest supermarket chain, was also aided by increased non-operating income, which offset higher costs of sales and an expansion and refurbishment of the group's sales outlets. Sales grew 7.2 per cent to Y1,550bn ($12.4bn) while pre-tax profits were up 12 per cent to Y21.3bn. Furniture and housing products in general showed the strongest sales performance, the company said.

Ito-Yokado showed pre-tax profit for the year up 20.1 per cent to Y62.5bn with sales 6.8 per cent ahead at Y1,055bn on an unconsolidated basis. The department store, convenience shop, and restaurant chain group said that lower import costs had helped boost profits in the year. The company plans to increase its annual dividend by Y0.5 to Y22 a share.

Mitsukoshi, Japan's oldest department store chain, said sales rose 7.2 per cent to Y643bn while profits were up 19.8 per cent to Y10bn. Sales of art works and jewellery grew 9.3 per cent in the year, top-brand goods 9.1 per cent, and clothing 5.1 per cent.

Takashimaya showed sales of Y557bn in the year, with pre-tax profits of Y16.5bn.

All four store groups forecast further increases in the current year. Ito-Yokado says sales should rise 5 per cent and pre-tax profit is expected to grow another 10 per cent. Daiei expects a more modest improvement, as does Takashimaya. Mitsukoshi, however, sees a 19.4 per cent advance in pre-tax profit in the current year on sales up 7.7 per cent.

Xerox profits rise 13%

BY OUR FINANCIAL STAFF

XEROX, the US business products and financial services group, has lifted first-quarter net profits by 13 per cent from $135m or $1.25 a share to $152m or $1.37, while revenues rose 11 per cent to $3.8bn.

The profits rise, which continues a recent trend, reflects "solid momentum" in financial services, said Xerox, while the company's copiers and other office products benefited from strength in international operations.

In financial services, revenues rose 17 per cent from a year earlier to $1.2bn.

Income at Crum & Forster, the company's property and casualty insurance subsidiary, advanced by 19 per cent to $91m.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Monetary policy causes concern

HOW GREAT a problem is the UK economy and the current state of monetary policy for the gilt-edged securities market? To judge from last Friday's action the answer must be, quite a big one.

The market was finally stirred from its recent lethargy on Friday. As if to prove what everyone has known all along, it is the economy that counts most for the market in the short-term, not the prospect of a stock shortage.

By the close of trading, the long gilt future had closed at 120% – a level which had some suggesting that a major point of resistence had been breeched. Since February, the long-gilt future has been trading in a narrow range of around 121 to 123¾.

Yields for long-dated gilts rose to close at around 9.35 per cent in the cash market and that move appeared to be on the back of better than average turnovers. Concern over policy seems to be at the bottom of the market's worries; the shape of the yield curve indicates that investors think monetary policy is too loose.

The market is not persuaded the economy is slowing down. It is distrustful of employment and industrial production figures which might suggest the beginnings of a slowing in activity. Also, with no sign of the sources of domestic cost pressures – such as wages growth – moderating, it is disinclined to take inflation measured by the retail prices index seriously.

The concern over current policy is palpable, especially when the maintenance of the *status quo ante* monetary policy is stacked up against the post-Budget view of the economy. It seems clear that the effects of the Budget will be to give another big boost to consumers' expenditure and the recent cuts in interest rates, once they fully feed through into lower mortgage interest payments, will also put more money in the pocket of the consumer.

On Thursday, the market was caught in two minds about the money supply and credit figures. Second thoughts on Friday clarified things a lot more. Base rates at their lowest nominal level for a decade and continued rapid rates of increase in monetary aggregates and credit was not a mix the market cared for.

As Mr John Shepperd of Warburg Securities noted somewhat colourfully: "The concern is that policy is inconsistent, that it has an inflationary bias, and that it will all end in tears." As if to add insult to injury, Mr Glenn Davies of CL-Alexanders Laing and Cruickshank pointed out that, on a real yields basis, the gilts market is expensive compared with West Germany, Japan, France, and the US.

Official policy does not appear to provide much comfort. The authorities seem to be operating on some intuitive notion of monetary tightness which has as its reference some point in the recent past. Interest rates fall as the exchange rate rises to keep the required level of inflation.

Base rates at 8 per cent and the effective exchange rate around 78.5 (DM3.16) seems on the authorities' logic to accord with base rates at 9 per cent and the effective exchange rate at 74.5 (DM2.9850). A 5 per cent rise in sterling seems to equal a one percentage point cut in interest rates.

The view from the Treasury is that, if anything, this represents a modest tightening of policy. Moreover it is a level of monetary tightness the markets should expect to be maintained if, and when, sterling begins to flag. It admits, though, that the current pressures on sterling are such that it makes it very difficult to move interest rates in any direction other than down.

The Chancellor indicated in his testimony before the Treasury committee just before Easter that, as far as he was concerned, the £/DM exchange rate has fallen as far as it was going to. Intervention may be used first but there seems little doubt that the authorities will move to support the pound with an increase in interest rates.

The Treasury also believes the City is exaggerating the apparent problems with the balance of payments. It says the current account deficit is readily and willingly financable in that it represents a tiny proportion of the economy.

The figures for January and February did put policy makers slightly on edge and the Treasury would be concerned if those figures did not turn out to be an aberration as it believes they are. The market gets to find out on Friday. Perhaps this will be the figure the foreign exchange markets decide to watch. In any case sterling is the key.

Simon Holberton

US MONEY AND CREDITS

Markets end week in surprisingly good spirits

CONSIDERING THE miserable *mood* in which the week began, the US bond and currency markets were in surprisingly good spirits by the time dealers went home on Friday.

Not only had the yield on the Treasury's benchmark long bond fallen below the 9 per cent mark for the first time in a week, but the dollar seemed to have stabilised comfortably above Y124.50. Sterling, too, was behaving itself, despite the strong upward pressure on oil prices. And all this was being accomplished without the highly visible and costly central bank intervention which had appeared so indispensible in the aftermath of the ghastly US trade figures the previous week.

The quiet confidence looked all the more remarkable remarkable against the backdrop of economic developments outside the markets themsleves. The few statistical releases during the week all pointed to a still-robust economy, with inflation ratcheting slowly but surely upwards. Capacity utilisation was steady, housing starts seemed to be recovering from their mid-winter nadir and the consumer price index reinforced the message from the previous week's bad producer prices. Not only was the 0.5 per cent jump in March consumer prices somewhat worse than expected, but "core" inflation, excluding food and energy, advanced even faster, at an annualised rate of nearly 7 per cent.

More significant than the official statistics were the signals from the equity and oil markets.

The price of oil continued its unexpected drift upwards, displaying no apparent difficulty in staying above $18 a barrel. This strength in oil prices may ultimately prove to be little more than a temporary aberration ahead of this week's meeting between Opec and non-Opec producers.

Long bond closes below the 9% mark

Another little noticed but important influence on energy prices, observed by Mr Philip Braverman of Irving Securities, is a near-doubling of Japanese oil import taxes due to come into effect in August. This has produced a temporary surge in oil demand as Japanese importers rush to build their inventories to beat the new taxes.

Nevertheless, even if higher oil prices are not sustained, they are bound to be unfavourably reflected in the next few figures for producer and consumer prices, which have been flattered in recent months by cheap oil.

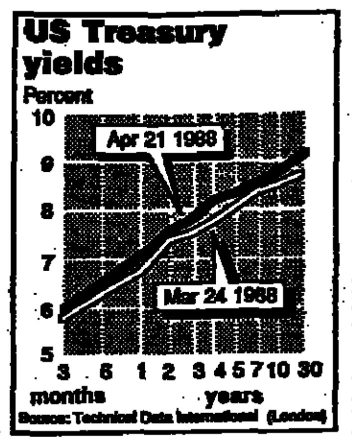
Meanwhile, equity prices have failed to follow through on their 101-point collapse of April 14, ending the week on a cautiously optimistic note, a couple of points above where they had closed the week before.

A week ago, collapsing equity prices seemed to provide one of the few persuasive arguments for buying bonds – as long as Wall Street seemed on the verge of another panic, there was little reason to fear a tightening of monetary policy by the Federal Reserve Board.

The rules of thumb which have prevailed since last October would suggest that a further decline in stock prices would be the best thing that could happen to the bond market, while a recovery in equities would mean the removal of the Fed safety net which has been supporting bond prices since the crash.

In reality, of course, the relationship between the bond and equity markets is more subtle and complex. In the next few weeks particularly, both markets are likely to be extremely sensitive to any indication about the US economy's true direction and strength.

Indeed, the stock and bond markets could rise or fall together or move in opposite directions depending on what the economic signals reveal – starting with first-quarter GNP figures due out on Wednesday this week.



If the GNP figures show rapid growth of 3 per cent or more, both stocks and bonds could fall abruptly, particularly if the strength is concentrated in final domestic demand and consumption, with net exports and inventory building contributing little to the expansion of GNP.

That kind of economic performance would make a monetary tightening extremely likely, since it would indicate that the US economy was unlikely to move much further towards balance of payments equilibrium without deliberate repression of domestic spending and consumer demand.

If, on the other hand, GNP growth is weaker than expected – say 1 per cent or less – the bond market could rally strongly, while equity prices tumbled. Against that kind of economic background, the Fed would probably be willing to relax policy further, but it might already be too late to avert the recession the fear of which which is still haunting many equity investors.

Finally, there is the intermediate possibility of moderate GNP growth, with some improvement in consumption and rough stability in inventory investment and export performance. Equity prices could then stabilise or even rally, while bonds declined. A moderately growing, relatively non-inflationary economy which was still failing to perform in terms of net exports would be inviting the traditional policy solution of further dollar devaluation. That would be very unattractive for fixed interest investors, but would contribute to the upsurge in manufacturing profits which is the equity market's main hope for a painless recovery from last October.

* * *

The following are the economic statistics due for release this week, along with median market forecasts as surveyed on Friday afternoon by Money Market Services of Redwood City, California:

●New home sales in March (Monday) are expected to rise by 1.1 per cent, although the range of forecasts is exceptionally wide – from minus 10 to plus 15 per cent.

●Gross National Product in the first quarter (8.30am Tuesday) is expected to show growth of 2.3 per cent at an annual rate. The growth forecasts range from 0.5 to 3.7 per cent. GNP grew by 4.8 per cent in the last quarter of 1987 and 4.3 per cent in the third quarter.

Equity prices close on optimistic note

●The GNP deflator (8.30am Tuesday) is thought to have risen by 3 per cent, with forecasts ranging from 2 to 3.7 per cent. The previous two figures were 2.7 and 2.8 per cent.

●Personal income and consumption in March (10am Wednesday) should show 0.5 per cent growth in income and 0.6 per cent higher consumption. The estimates for income range from 0.2 to 0.9 per cent and for consumption from 0.3 to 0.9 per cent. In the previous two months, income grew by 0.9 and 0.3 per cent, while consumption increased by 0.7 and 0.1 per cent.

●Leading indicators for March (8.30 am Friday) should be up 0.8 per cent, with a range of 0.2 to 1.1 per cent. In February the indicators rose by 0.9 per cent, after declining 1.1 per cent in January.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.98	6.76	6.59	7.78	6.27
Three-month Treasury bills	5.82	5.86	5.70	7.17	5.83
Six-month Treasury bills	6.23	6.19	5.98	7.45	5.41
Three-month prime CDs	7.02	6.98	6.64	8.28	6.47
30-day Commercial Paper	6.85	6.75	6.60	7.62	6.35
90-day Commercial Paper	6.93	6.87	6.66	8.85	6.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99½	−⅛	8.56	8.53	8.27
20-year Treasury	103	−½	8.83	8.99	8.74
30-year Treasury	98¾	−½	9.00	8.95	8.67
New 10-year "A" Financial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New "AA" Long utility	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New "AA" Long industrial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

[illegible]

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
QUEENSLAND GOVT 11¼ 89	100	104¼	−⅛	8.53
RALSTON PURINA 11¼ 95	150	106¾	−⅛	10.33
REYNOLDS R.J. 10¼ 93	100	104¼	−⅛	9.20
RICHARDSON-VICKS 11½ 93	125	106¼	−⅛	9.92
SOUTHWEST AIRLINES 6¼ 98	35	79¾	−¼	86.18
SWISS BANK CORP 6¼ 90	120	113	−2¾	−6.60
TEXACO CAPITAL 11¼ 94	500	107¾	−1½	17.38
XEROX CORPN 5 88	75	98¼	+¼	177.10

[illegible]

This announcement appears as a matter of record only

BARRATT

Barratt Developments PLC

GBP 240,000,000
Financing Package

Comprising

GBP 110,000,000
Multiple Option Facility with Tender Panel

GBP 100,000,000
Sterling Commercial Paper Programme

GBP 30,000,000
Swap

Arranged by

Lloyds Bank Capital Markets Group

This announcement appears as a matter of record only

SPITALFIELDS
DEVELOPMENT GROUP

GBP 315,000,000
Development Financing Facility

Spitalfields Development Group

owned by

Balfour Beatty Limited
(subsidiary of BICC plc)

County and District Properties Limited
(subsidiary of Costain Group PLC)

and

London & Edinburgh Trust PLC

Documentation, Syndication
and Facility Agent

Lloyds Bank Capital Markets Group

This announcement appears as a matter of record only

Leicester Combined Heat and Power Project

Leicester Energy Limited

owned by

Leicester City Council
Leicestershire County Council
Central Electricity Generating Board
East Midland Electricity Board

and

Associated Heat Services Plc
Foster Wheeler Energy Limited
Hawker Siddeley Power Energy Limited
John Laing ETE Limited
Mainmet Holdings Plc
Ruston Gas Turbines Limited

Advisor

Lloyds Bank Capital Markets Group

This announcement appears as a matter of record only

London & Edinburgh Trust PLC

GBP 110,000,000
Sterling and Eurodollar
Commercial Paper Programme

Dealers

Kleinwort Benson Limited
Lloyds Bank Plc

Arranged by

Lloyds Bank Capital Markets Group

This announcement appears as a matter of record only

THE INDEPENDENT

Newspaper Publishing plc

GBP 9,000,000
Medium Term Loan Facility

Arranged by

Lloyds Bank Capital Markets Group

INTL. CAPITAL MARKETS AND COMPANIES

Swiss banks start 1988 in cautious style

BY JOHN WICKS IN ZURICH

FOUR OF Switzerland's biggest banks report satisfactory progress over this year's first quarter.

Union Bank of Switzerland says that a pick-up in lending operations had a positive effect on the development of interest income during the period. However, last October's shakeout for the securities markets meant that earnings from business off the balance sheet were below the very good 1987 result.

UBS's balance-sheet total rose by SFr1.3bn over the end-December level to SFr160.4bn ($1.16bn) with deposits up by SFr2.4bn and advances by SFr3.6bn.

Swiss Bank Corporation, whose total assets increased by SFr1.7bn to SFr147.9bn at the end of March, booked a slight increase in net interest earnings during the 1988 first quarter, mostly as a result of greater business volume which offset a continued narrowing of spreads.

Overall results in the securities sector were satisfactory while revenue from foreign exchange and precious metals trading developed well. Costs rose "perceptibly" but remained within budgeted limits.

Swiss Volksbank recorded a SFr211m rise in its balance-sheet total to SFr32.4bn. Commissions from the securities sector were considerably lower than for the corresponding 1987 quarter, but in the interest sector narrower margins were compensated for by higher business volumes.

The bank says that trading income developed well and that a much tighter cost budget was adhered to.

Crédit Suisse says its assets fell slightly to SFr107.2bn in the quarter from SFr107.2bn at the end of December, following a sharp reduction in cash holdings.

Statoil lifts refinery cost estimates

By Karen Fossli in Oslo

THE FINANCIAL difficulties at Statoil, Norway's state oil company, have deepened with the announcement that the budget overshoot on the refinery section of the company's Mongstad project has increased by NKr2.6bn to NKr12bn ($1.7bn).

This has bought total project costs to NKr13.8bn, from the original budget of NKr4.7bn. Last year, the over-run at Mongstad led to the replacement of the group's top management.

In January, when the overspend stood at NKr6.8bn, the new Statoil leadership warned that the figure could be even greater. However, at that time only an additional NKr1bn was being suggested.

By early-March, the overspend forced Statoil to write-off NKr3.3bn against its 1987 accounts, plunging the company into a net loss of NKr1.88bn, against profits in 1986 of NKr1.15bn.

Mr Harald Norvik, the company's president, said last week that write-offs would probably be necessary through 1992.

Trimedia in London deal

BY OUR FINANCIAL STAFF

THE ZURICH-based Trimedia Communications has acquired Christopher Morgan & Partners, the London public relations agency, in a deal intended as a step towards the creation of a Europe-wide financial and corporate PR and advertising group.

The terms of the takeover, understood to involve a mixture of cash and shares, have not been disclosed.

Founded in 1982, Trimedia is said to be Switzerland's largest communications group and has offices in Frankfurt as well as in four Swiss cities. Including Morgan, combined billings exceed £5m ($9.4m) and a stock market listing is planned in due course in Zurich or London.

Trimedia's head, Mr Al Hirzel, said the group was preparing for 1992 when the European Community's single market measures are due to come into force. London was the most important place to expand, he said, and later moves were planned in Italy, Spain and Belgium.

Meanwhile, Mr Christopher Morgan, founder of Morgan, has been appointed president of Trimedia Communications International, and chairman and chief executive of Trimedia UK.

UCB holds pre-tax profit

BY TIM DICKSON IN BRUSSELS

UCB GROUP, the major Belgian pharmaceuticals and chemicals company, has announced pre-tax profits for 1987 of BFr1.779bn ($51m), which are broadly in line with those recorded for the previous year.

Net sales in the period showed an 11 per cent advance at BFr32.66bn, though most of this was due to the consolidation of results for the first time into the company's accounts of La Cellophane Espanola.

UCB says that the pharmaceutical sector has maintained the growth of sales of Nootropil(R) despite competition from generic products.

The level of activity in the chemical sector has also been good, particularly in methylamines and their derivatives, in phthalates and in specialty chemicals.

The company adds that demand for its film and converted products has been "firm".

UCB's expenditure on research and development rose by 34 per cent to BFr4.13bn in the year, while the numbers employed in Belgium have risen for the fifth consecutive year and now total 4,054. Total group employment amounts to 7,428.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kobe Electric Railway‡♦	50	1993	5	4⅛	100	Daiwa Europe	4.125
Gado Steel‡♦	70	1993	5	4⅛	100	Yamaichi Int.	4.125
Sekisui Chemical‡♦	300	1993	5	4	100	Daiwa Europe	4.000
Fujitsu‡♦	500	1993	5	3⅞	100	Nikko Secs.(Europe)	3.875
Flash VIII†♦	36	1992	4	(a)	100.10	Sanwa Int.	-
Weingarten Realty§♦	60	2003	15	(b)	100	Salomon Bros.Int.	-
Nissin Electric‡♦	50	1993	5	4⅛	100	Yamaichi Int.	4.125
Skand. Enskilda B'ken♦	200	1990	2	8¼	101.10	CSFB	7.636
Bk Nova Scotia Cayman Is♦	200	1990	2½	8⅜	101	Morgan Stanley	7.883
Fiat Finance and Trade♦	100	1991	3	8½	101¼	UBS Secs.	8.015
Cellular Communications§	75	2003	15	(e)	100	Shearson Lehman	*
Daicel Chemical Ind.‡	100	1993	5	(4¼)	100	Nomura Int.	*
Nippon Metal Ind.‡	80	1993	5	(4¼)	100	Nomura Int.	*
D'Urban‡	70	1993	5	(4¼)	100	Nikko Secs.	*
Nichimen Corp.‡	150	1993	5	(4¼)	100	Daiwa Europe	*
Restaurant Seibu‡	120	1993	5	(4¼)	100	NKK Secs.Europe	*
Zenchiku‡	50	1993	5	(4¼)	100	Daiwa Europe	*
AUSTRALIAN DOLLARS							
Xerox Credit Corp♦	75	1990	2	12½	101½	Chase Manhattan Inv.	11.617
ABN Australia♦	75	1993	5	12½	101¾	ABN NV	12.014
OKB AG♦	75	1993	5	12¼	102⅛	Deutsche Bk Cap.Mkts	11.665
Bayerische L'bk Intl(Lux)♦	75	1993	5	12¼	101⅞	Swiss Bank Corp Int.	11.733
West LB Fin.NV♦	50	1991	3	12¼	101½	West LB Girozentrale	11.629
Denmark♦	75	1993	5	12¼	102	West LB Girozentrale	11.699
State Bk New South Wales♦	150	1991	3	12½	101½	CSFB	11.877
Swedish Export Credit♦	75	1993	5	12¼	101⅞	Bqe Paribas Cap Mkts	11.733
Australian Trade Comm.♦	60	1995	7	12¼	101¼	ANZ Merchant Bank	11.868
Eksportfinans♦	75	1995	7	12⅜	102	J.P.Morgan Secs.	11.938
NEW ZEALAND DOLLARS							
Credit Lyonnais Canada♦	60	1993	5	13⅛	101¾	Hambros Bank	12.879
CANADIAN DOLLARS							
National Australia Bk♦	75	1991	3	10	101¼	UBS	9.502
Bqe Generale Du Lux SA♦	50	1993	5	10	101¾	Bankers Trust Int.	9.544
Svenska Handelsbanken♦	50	1991	3	10	101¼	Commerzbank AG	9.305
Merrill Lynch♦	100	1991	3	10⅜	101.30	Merrill Lynch	9.854
DEUTSCH MARKS							
LKB Baden-Wuerttemberg♦	300	1998	10	6	100⅞	Trinkaus Burkhardt	5.882
Westfalenbank Int.Lux♦	30	1993	5	5	99¾	Westfalenbank	5.058
Wella Int. Fin. BV¶(f)♦	50	1995	7	5⅝	101	SBC (Germany)	5.449
ECU							
Elf Aquitaine♦	50	1993	5	7⅜	101⅝	Deutsche Bk Cap.Mkts	6.979
Compagnie Du Midi§(d)♦	330	1998	10	2½	100	Swiss Bank Corp.Int.	1.672
Banco Di Roma♦	100	1993	5	7½	101⅜	CCF	7.163
Eurofima♦	87.9	1992	4	7⅛	101¼	Bqe Paribas Cap.Mkts	6.758
SWISS FRANCS							
Fuji Electro Chemicals§♦	60	1992	-	1	100	Credit Suisse	1.000
World Bank**♦	75	1995	-	4⅛	101	Shearson/Bqe Paribas	3.959
Kyosan Electric**♦	50	1993	-	(1½)	(100)	Wirtschafts Privatbk	*
Oppland Energiverk♦	150	2003	-	5	100¾	Credit Suisse	4.928
Credit Lyonnais♦	100	2000	-	4¾	101	Credit Suisse	4.639
DANISH KRONER							
Kreditbank Int. Curacao♦	300	1996	8½	10¼	100	Privatbanken AS	10.227
YEN							
Sth Aust Govt. Fin. Auth♦	7bn	1993	5	7	101⅞	Nomura Int.	6.548
PKBanken (Sweden)(l)♦	10bn	1992	4	8	101⅝	Bankers Trust Int.	7.515
Swedbank (Sweden)(l)♦	5bn	1993	5	5⅝	101⅞	Sumitomo Fin. Int.	5.190
BNL(l)♦	5bn	1993	5	6	101⅞	IBJ Int.	5.560
Hovedstads. Naturgas(g)♦	10bn	1993	5	7	101¾	LTCB Int.	6.578
Sparkassen SDS♦	6bn	1992	4	0	84¾	Wako Int.	4.223
Sparkassen SDS♦	7bn	1992	4	7⅞	115⅞	Wako Int.	3.548
Jets IV♦	5.44bn	1993	5	5 7/16	101⅞	Mitsubishi Fin.	4.634
STERLING							
Alliance/Leicester B.S.†♦	150	1995	7	(c)	100	UBS Secs.	-
Int.Finance Corp.♦	40	1993	5	9⅛	101¾	Hambros Bank	8.679
Eksportfinans♦	100	1993	5	9⅛	101½	BZW	8.742
Austria♦	100	1993	5	9	101½	Warburg Secs.	8.618
Compagnie Du Midi§(d)♦	275	1998	10	3	100	Swiss Bk Corp Int.	2.105
Hydro Quebec♦	75	1995	7	9⅝	101⅜	Warburg Secs.	9.349
Pepsico♦	60	1993	5	9⅛	101⅝	County Nat West	8.710
SNCF♦	75	1995	7	9⅛	100¾	Baring Brothers	9.050
Slough Estates§(h)♦	150	2003	15	6	100	Warburg Secs.	6.000
LIRE							
Sumitomo Bk.Cap. Mkts.♦	75bn	1993	5	11½	101	Banco Di Roma	11.228
GUILDERS							
Akzo NV♦	200	1996	8	6	100½	AMRO Bk NV	5.920

*Not yet priced. **Private placement. ♦Final terms. †Floating rate note. ‡With equity warrants. §Convertible. ¶With currency warrants. (a)18 basis points over 6 month Libor. (b)7¾ for first 5 years, indicated thereafter at 8¼. (c)Coupon 8.2 for first 3 months rising to 10 basis points over 3 month Libor with a minimum 5%, until May 1992, thereafter 17 basis points over 3 month Libor. (d)Two tranch deal: 330m ECU and 275 STG. (e)Coupon is indicated at 6¾ to 7¼. (f)5000 currency warrants to buy US$ at fixed exchange rate DM 1.6690 per $. (g)Redemption linked to Jap. Govt. futures contract. (h)Rights issue. (l) Redemption price based on Nikkei 225 average.

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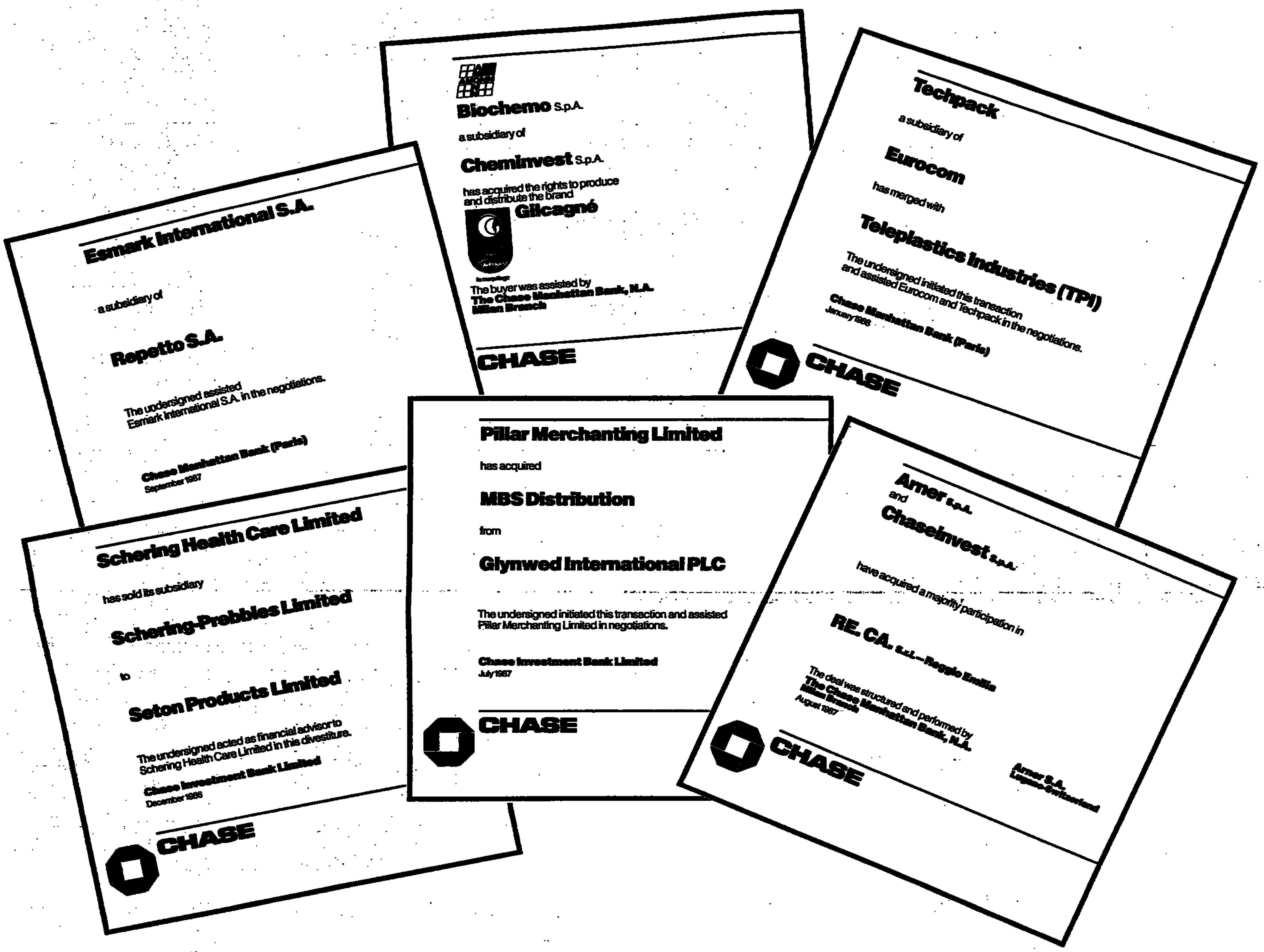

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CHASE

UK COMPANY NEWS

Nikki Tait looks at the proposed £47m buy-out at Glass Glover

Coming to terms with the management

WHAT PRICE a management bid? The idea that October's plunge in share prices would encourage a number of managements to take quoted companies private has been mooted in corporate finance circles for months.

So far only one deal has surfaced – a £47.2m offer for Glass Glover, the fresh fruit grower and distribution group. The bidder is a new company, Dryvale, which has four senior Glass Glover executives on the board and is backed by Schroder Ventures and Standard Chartered Bank. The offer is due to close this coming Friday.

Almost inevitably, it has run into shareholder qualms. Scottish Amicable, GG's largest single shareholder with almost 10 per cent of the ordinary shares and 12.6 per cent of the preference, makes no secret of its dissatisfaction, saying publicly that it is still pushing for a higher price. Other private shareholders have expressed unease.

This, it might be argued, looks more like hopeful haggling than a full-bloodied shareholder revolt. The share price remains resolutely planted at 240p, slap in line with the cash offer.

Mr Jon Moulton at Schroder Ventures describes the degree of unrest as "nothing very significant"; and certainly some institutional shareholders seem resigned to the fact that the 30 per cent bid premium on offer is the best price they can expect given Glass Glover's underlying trading picture.

Moreover, there is always the market argument. If the company is being sold for a song, surely rival bidders would emerge? In addition, the Dryvale offer has the backing of a 20 per cent Glass family stake: would the Glass's sell out of their business at a *bargain basement price?*

Nevertheless, the very notion of a management bid raises suspicions. When the bidder knows so much more about the business than the shareholders, it is hard to assess whether the bid premium offered is fair. Nor is it easy to understand why management is willing to strap itself with the additional debt needed to fund the deal, for the dubious advantages of operating as a private company.

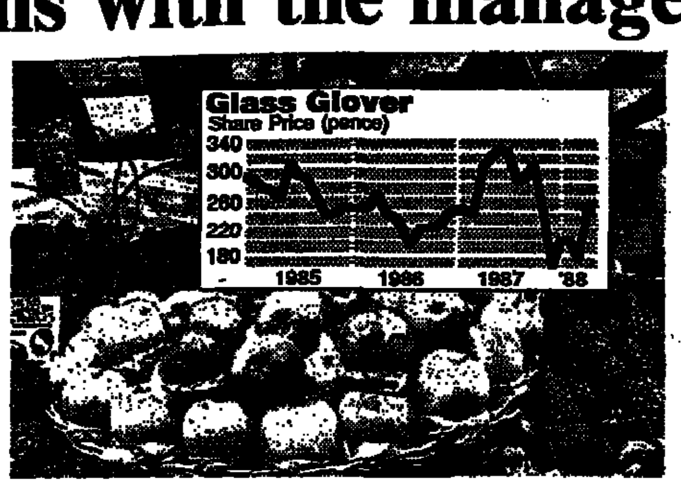
Scarcely surprisingly, then, that the track record of management bids for quoted companies in the UK should be extremely limited.

Perhaps the most dramatic example in recent years occured at engineering group Haden, where management stepped in with a successful £56m cash bid in the face of an unwanted offer from Trafalgar House. Not surprisingly - given the situation - the premium offered by management was on the generous side: its cash terms were 55 per cent higher than the price on the day before Trafagar's bid, and almost double Haden's price when Trafalgar's stake-building began.

It is true that other subsequent deals have looked less expensive. In August 1986, management at Aircall - the USM-traded radio communications group - offered shareholders cash or shares in the new private company. The cash terms represented a 22 per cent premium to the pre-announcement price. And, more recently, Mr Harry Goodman took holiday group International Leisure private, with a cash offer set at a 23.5 per cent premium to ILG's mid-price on the day before discussions were announced.

But then again, not all management bids have proved successful. Indeed, the whole concept got off to a poor start in 1985 when institutional shareholders scotched a £49.8m buy-out at Molins, the cigarette manufacturing machinery maker, on the grounds that the price was too low. The 170p a share cash offer compared with a pre-announcement price of 152p (although it should be added that Molins *shares already edged up ahead of* the statement itself).

In the case of GG, the management's offer appears to have been triggered when the company received a tentative approach from another potential bidder earlier this year. According to Mr Alick Glass, the chairman, that led to the appointment of Samuel Montagu as advisers, with Mr John Bingham – the company's finance director – a natural party to the discussions. Aware that the board was taking approaches seriously, Mr Bingham asked for permission to investigate the management buy-out possibility. Talks with the other party eventually came *to nothing; the management* offer, led by Mr Bingham, did.



In deciding to recommend Dryvale's bid, the board stresses that it took full account of "current trading and performance" - and this is clearly the critical point. Since the mid-70s Glass Glover has seen a steady, if undramatic rise in both profits and earnings per share. Between September 1981-82 and 1985-86, for example, the former figure rose from £1.27m to £2.33m, and the latter from 7.68p to 14.93p.

However, when figures for 1986-87 were released in February, they looked far less happy. The pre-tax figure increased by 18 per cent to £2.75m, but only thanks to a £1.58m exceptional profit on property sales. Earnings per share slipped from 14.93p to *14.58p. Nevertheless, dividends* went up by a tenth, and although Glass conceded that the first half of 1987-88 might be poor, the second six months was held up as looking "more satisfactory".

That, however, was followed by more gloomy news from Mr Glass in the Dryvale offer document itself. "Regrettably, the pressures on the business are showing no tendency to lessen and the extremely discouraging financial performance continues to be considerably worse than anticipated," he wrote. "In recent weeks important developments, on which our expectation of recovery depended, have been further delayed, and *uncertainties regarding our future...* are proving to be an impediment to our attempts to secure new business."

According to Glass Glover, the problems are various. The biggest headache has come on the fresh produce side of the business where higher quality demands from supermarket customers appears to have raised costs significantly and caused "operational difficulties" as GG reorganised. Excluding property profits, this division tumbled from a £1.58m profit to a £921,000 loss last year.

But Mr Glass also makes the point that overall trading has not been helped by slower-than-anticipated compensating growth from the dedicated contract distribution side of the business - *thanks, it seems, in part to some* changes of ownership among GG's supermarket customers. That said, profits (net of property gains) on the distribution side did rise from £2.23m to £3.07m last year, and in February the company talked of some "important new contracts ... which will be reflected in a significant increase in profitability during 1989 and beyond."

Finally, in words of Mr Glass in the Dryvale document, there is the impact of "uncertainties regarding the future" (the company's) which "are proving an impediment to our attempts to secure new business".

How much easier it will be to run the company in the private sector remains a moot point. Dryvale's offer is funded by £1.4m of ordinary equity, £14.8m of preference shares, £9m of mezzanine loan stock, plus a Standard Chartered bank loan facility of up to £30m. Given a bid price (including preference stock) of £47.2m and interest on the loan facility at one and three-quarter points over LIBOR, it would seem that the additional interest charge faced by Dryvale must roughly equate to GG's recent profit levels, a scenario which Schroder Ventures broadly confirms.

That said, Mr Moulton points out that GG is "very much in the nature of a recovery situation," and adds that "at least short term the company will not be answerable to the demands of the market for rising income." Dividends for 1986-87 cost around £675,000.

Whatever the fate of Glass Glover, the likelihood of many other quoted companies following this route still seems remote. That is not for want of enthusiasm. Schroder Ventures, itself, reports that some 15 companies have approached it with such thoughts during the first quarter of 1988, compared with just one in a comparable period a year ago. Other corporate finance departments talk of deals being worked on.

The problem remains the market. Most merchant bankers concede that the bear trend is not *sufficiently established,* and share price levels are not sufficiently low, for such deals to be facilitated.

Moreover, institutions show no great appetite for further cash at present – witness the Birmid Qualcast bid. For the moment, it seems, many managements may still have to dream.

Stakes raised in water companies

By Andrew Hill

Compagnie Generale des Eaux, the largest water supply company in France, has announced increased stakes in two UK statutory water companies, Colne Valley and Lee Valley.

French water suppliers and their UK partners now account for over 50 per cent of Colne Valley's voting stock, but the company's statutes restrict shareholders to a very small number of votes, irrespective of the size of their stake.

Compagnie Generale holds 28.2 per cent of Colne Valley's voting stock through its UK subsidiary, General Utilities. Cementation SAUR Water Services jointly owned by the British and French construction companies, Trafalgar House and Bouygues has 22.02 per cent.

Cementation SAUR is also thought to have between 10 and 15 per cent of Lee Valley, where Compagnie Generale has increased its share of voting stock to 22.15 per cent.

At the beginning of April, Compagnie Generale revealed it had accumulated a 27 per cent stake in Colne Valley, which works alongside the Thames Water Authority in Hertfordshire and North London. The statutory company said then it anticipated further co-operation with the French group.

Compagnie Generale is one of several large European construction and water groups investing in UK water companies in preparation for the planned privatisation of the much larger regional water authorities.

Throgmorton silent on bid support from French bank

BY NIKKI TAIT

Throgmorton Trust, the investment trust which is making an unwanted £68.8m bid for fund management group Framlington, yesterday declined to comment on weekend Press speculation that French bank, Credit Commercial de France, is likely to support the offer in respect of its key 28 per cent stake today.

To date, the French shareholder has made clear that it does not reject the Throgmorton offer, but has said that it is suspending any final decision while Framlington and its advisers try to find a "third party" purchaser for the group. Last week, Framlington told shareholders that this process was still continuing.

Yesterday, Framlington chairman Mr Bill Stuttaford said that the company itself had no knowledge of any CCF move to accept the bid at this stage. "We are not yet recommending people to accept," he added.

The bid is highly unusual in that Throgmorton Trust is managed by Throgmorton Investment Management Services, itself part of Framlington.

CCF is, however, unlikely to welcome a lengthy lack of progress. If it wishes to sell its shares to Throgmorton in the face of continued Framlington opposition to the bid, it could trigger a "pre-emption agreement" which allows Framlington 30 days to find an alternative buyer for the stake. Although the ramifications of the agreement are complex, CCF may be reluctant to get too far into the bid timetable before making a move.

The French shareholder is also believed to be increasingly sceptical of Framlington's chances of finding a third party buyer, given Throgmorton's threat to reconsider its management contract with Framlington if ownership of the company changes.

Berisford subsidiary deal

Natalie Acquisition, 50 per cent owned by a financial services subsidiary of S&W Berisford, the commodity trading and financial services group, has gained control of High Voltage, US maker of industrial instruments, electrical components and plastics.

Natalie tendered $95.2m (£54m) for High Voltage and now controls 94 per cent of the manufacturing group. The remaining 6 per cent will be acquired when the two companies merge.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied Lyons	May 10	[illegible]	Plessey	May 26	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit & Comm	Apr 26	[illegible]	[illegible]	[illegible]	[illegible]
Brit Airways	May 24	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	Tarmac	[illegible]	[illegible]
Eng China	May 14	[illegible]	Tate & Lyle	Apr 27	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met	May 11	[illegible]	Wolv Dudley	May 26	[illegible]

London Scottish Bank buying James Stewart

London Scottish Bank, Manchester-based finance company, is offering to buy James Stewart & Sons, a consumer finance and retail credit company operating in the Manchester and Crewe area, in a deal worth about £4m.

London Scottish is offering 36 new shares and £4 nominal of convertible loan stock for every four James Stewart shares, which are privately held.

There will also be a deferred cash payment determined by any profit realised from the sale of property owned by a James Stewart subsidiary.

The terms of the deal have been agreed by James Stewart shareholders representing 57.9 per cent of the equity.

James Stewart has made a loss in three out of the four last years. But London Scottish, which bought a James Stewart subsidiary two years ago, believes it can apply management techniques to the company which will enhance its performance.

Eastern Produce down by 20%

BY NIGEL CLARK

THE CONTINUING decline in tea prices left 1987 pre-tax profits at Eastern Produce (Holdings) down 20 per cent at £7.26m.

However the directors of the company, which has interests in plantations, trading and agency, engineering and fishing, are holding the dividend at 10p via a final of 7.5p. Earnings emerged at 25.1p (39.4p) or 37p (39.4p) after the release of deferred tax credit.

Mr Malcolm Perkins, managing director, said the tea price had been falling since 1984. Although he described it as a temporary imbalance he could see no immediate prospects of an improvement.

Lower coffee prices also contributed to the profit fall.

Turnover increased from £88.2m to £93.14m but that was mainly as a result of the change in the treatment of Associated Fisheries. It became a subsidiary five months into 1987.

The pre-tax figure included net investment income of £1.33m, against interest charges last time of £263,000.

Share of associates fell to £1.48m (£3.84m) but that was mostly due to the change of Associated Fisheries.

Tax took £1.19m (£3.83m) and there were minorities of £1.32m (£358,000). There was an extraordinary credit of £3.4m (£28,000).

Try Group ahead 54%

BY ANDREW TAYLOR

Try Group, the family-owned construction company which plans to seek a full listing next year, announced a 54 per cent increase in pre-tax profits to £2m for 1987.

The company also announced a joint venture with Trafalgar House for a mixed office development on 14 acres of land owned by Try at its headquarters in Uxbridge, Middlesex.

Mr Hugh Try, group chairman, said that the £50m development should bring a sharp increase in company profits as sites are developed and sold off to owner-occupiers or institutional investors.

For the moment the company is benefiting from the private housing boom, particularly along the south coast. House sales are thought to have accounted for about half of profits last year.

Mr Try expected that about 25 per cent of the shares would be on offer in the listing.

ASB Barnett Kinnings for Third Market

By Andrew Hill

ASB Barnett Kinnings, an accountancy recruitment consultancy based in the North West, will announce its flotation on the Third Market tomorrow.

Charlton Seal, Manchester-based stockbroker, is placing 575,000 ASB shares at a price of 60p, including 375,000 new shares. The flotation should raise about £155,000 net of expenses. The company says the cash will be used to fund expansion.

ASB has a market capitalisation of about £1.7m and is on a price/earnings multiple of about 12.6.

In the year to December 31, the group made profits of £102,000 before tax, on turnover of £524,000. ASB is forecasting pre-tax profits of £190,000 this year and also expects to pay a final dividend.

Dealings in the shares will start on May 16.

Drayton Consld.

Drayton Consolidated Trust reported net asset value, fully diluted, of 549.25p at March 31 against 575p a year earlier and 713.75p at end-October 1987. Net revenue after tax, which was affected by short-term borrowings, drawn in December, came out at £1.74m (£1.63m).

Earnings per share were 5p (4.67p), fully diluted. The interim dividend is raised from 3p to 3.3p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Allied London Properties, Equity and Law International Funds, Coast, Hawthorn Leslie, Lyles, Rosehaugh.

Finals: Albany Investment Trust, Davies and Newman, Feedex Agricultural, Future, Haw Group, London American Ventures Trust, RKF, Tarmac, United Friendly Insurance.

FUTURE DATES

Interims:

Radio Clyde ... May 20

Finals:

Forward Group ... May 3

[illegible]

London Finance and Inv ... [illegible]

[illegible]

UK COMPANY NEWS

Philip Coggan looks into the background and policy of Hillsdown Investment Trust

The HIT squad awaits its rewards

What's in a name? Hillsdown Investment Trust is not, strictly speaking, an investment trust at all. So why the title?

"We liked the initials HIT" explained Mr Michael Hacker, who together with Mr Michael Teacher, manages the company nicknamed "the HIT squad", an investment subsidiary of Hillsdown Holdings, the food-to-furniture group.

"Hillsdown is continuously being introduced to new acquisition opportunities by accountancy firms, merchant banks and stockbrokers" explains Mr Teacher. While many of those opportunities are taken - Hillsdown has acquired over 150 companies since it joined the stock market three years ago - plenty of businesses came along which did not fit into either of the group's mainstream sectors.

It was Hillsdown's chairman, Mr Harry Solomon, who introduced the two Michaels and suggested they could form a team *under his company's wing.* They came from different, but complementary, backgrounds. Mr Hacker's experience was in management, having spent several years running the European retail operations of the Zales Corporation. Mr Teacher had worked in merchant banks and corporate finance, most recently with Pointon York.

So HIT was established in May 1987 with Hillsdown keeping a 90 per cent stake and Messrs Hacker and Teacher owning the other 10 per cent. Unlike Hillsdown, HIT was allowed to take minority stakes in groups if the potential for profit was available.

HIT's first opportunity to invest in a public company came in September last year. Fletcher Dennys Systems, the micro-computer systems dealer, needed a capital reconstruction package after an unhappy fourteen months on the USM.

Fletcher had geared up for growth only to be hit by a slump in demand in the local authority sector. As a result, pre-tax profits of £408,000 in the year to March 1987 turned into losses, initially estimated at £900,000 and then revealed as £2.4m, in the following year.

New capital was needed and HIT put together a £2.1m reconstruction package through which an investment consortium *acquired just under 74 per cent of* the USM group. Management and accounting policies were drastically changed and Mr Teacher took over as chairman.

But Fletcher Dennys was just HIT's first step into what it loosely defines as the "communications sector". Last month, in a complex deal, Fletcher Dennys was merged with Systems Reliability, a company best known for its telephone management systems.

Michael Hacker (left), with his co-manager Michael Teacher.

HIT, and investors acting in concert with it, will own 54.5 per cent of the enlarged group. And Mr Teacher believes there will be real advantages in combining the two. Systems will benefit from *the management team that HIT* has put in place at Fletcher Dennys; and Fletcher Dennys will be able to exploit Systems' nationwide maintenance network.

There are also potential gains within the Hillsdown group. Many of its subsidiaries have computer systems which could benefit from Fletcher Dennys' software expertise. Packages that are developed by Fletcher to cope with a particular subsidiary's problem could be marketed across a whole industry.

A lot of work still needs to be done - Systems' pre-tax profits for 1987, announced last Friday, were just £1.3m, down from £2.8m in 1986. But as Mr Hacker says: "We won't shrink from a turnround situation. We can't compete with venture capitalists in terms of resources but we do believe that our hands-on management can provide value".

The communications field is just one sector in which HIT is interested. Another potential area for investment is marketing and design where again Hillsdown's vast array of subsidiaries could benefit from some in-house expertise.

And apart from its publicly-quoted investments, HIT is also building up a stable of private company stakes in a range of sectors from publishing to refrigeration services. "We look for businesses where there is enough volume to be capable of producing a decent-sized profit" says Mr Hacker. "We also like to get some sort of a yield on our investment."

"We tend to make quite conservative estimates of a company's value", adds Mr Teacher. "We'd rather offer a performance ratchet so that even if companies feel we are rather mean initially, we will eventually be generous."

Many of HIT's investments, including Systems and Fletcher Dennys, may take a long time to bring a substantial return to the Hillsdown group. But HIT has two other financing businesses - secured lending and corporate *finance - which bring in revenue* to cover the overheads.

HIT is coy about revealing its results so far but it will say that its figures are ahead of budgets. "We've run quite fast in our first 10-11 months" says Mr Teacher. Given Hillsdown's acquisitive reputation in the City, the chances are that the HIT squad will be given plenty of opportunities to sprint in the future.

British Empire Trust in the red

BY CLAY HARRIS

A LOSS of nearly £1m on investment dealing pulled British Empire Securities and General Trust £176,300 into the red at the pre-tax level for the six months to March 31. The interim dividend is maintained at 0.2p.

British Empire, one of the UK's oldest investment trusts which marks its centenary next February, warned that it was inclined to the view that weakness on Wall Street later this year and in 1989 could have "very damaging consequences" for other world markets.

Accordingly, its portfolio was now biased towards shares standing at a substantial discount to asset value. It would also maintain higher-than-average liquidity until the market outlook cleared.

The fall into loss at the taxable level from a £581,790 profit in the comparable period occurred despite higher dividend and interest receipts. The significant change was a £1.5m turnround on dealing from the previous £547,712 profit.

After tax of £377,469 (£140,500), British Empire showed losses per share of 0.42p (0.33p earnings). Net asset value fell to 45.4p (49.1p).

At Friday's closing price of 39p, the shares stood at a 14 per cent discount to net asset value and British Empire had a market capitalisation of £52m.

Huntleigh passes final

Huntleigh Technology, USM-quoted maker of instrumentation and control systems, is passing its final dividend following a sharp fall in 1987 profits from £301,000 to £107,000.

After tax, minorities and an extraordinary charge of £159,000 (£198,000) for potential losses arising from the disposal of vacated properties, attributable loss was £118,000 (£24,000).

Earnings per share declined from 2.05p to 0.54p. With no final payment, the interim of 0.5p compares with a 1p total in 1986.

Turnover in 1987 grew to £10.07m (£9.15m). This is expected to increase substantially, but exchange rates will give some uncertainty to profitability this year, which will be mitigated by the purchase of materials from dollar-based economies.

Acquisition boosts Upton

THE ACQUISITION of Southern & City Developments put E. Upton and Sons back in profit for the first time in many years. For the 12 months ended January 26 1988 it produced £543,000 pre-tax.

Adjusting the 1986-87 figure for merger accounting showed a profit of £302,000, compared with the reported loss of £150,000.

The group operates department stores in Teesside and has a partly-owned subsidiary dealing in audio and visual retailing. The acquisition of Southern & City put it into retail property development. Initial consideration was £2m in shares.

The three department stores were in profit, but that was more than offset by the loss at McKenna & Brown (audio and visual). Southern & City figures were above expectations.

Turnover came to £8.58m (£8.02m). Earnings worked through at 8.19p (2.55p). There was no dividend.

Summer paying maximum £4m for Cranbrook

Summer International, formerly Sumrie Clothes, unveiled details of its much heralded diversification into the educational services market with the acquisition of Cranbrook Training and Recruitment.

Cranbrook operates secretarial training schemes approved by the YTS.

Summer is paying a maximum of £4m for Cranbrook, with an initial cash payment of £1.65m to be financed by the issue of new convertible loan stock.

Further payments will be made dependent on profits for the three years to January 31 1990.

The purchase follows two other transactions designed to take Summer away from its traditional base in textiles.

They were the purchase of Impact Communications for a maximum of £8m and of Betty Owen Secretarial, a New York *company, for a maximum of* $2.64m (£1.4m).

Cranbrook made pre-tax profits of £168,000 in the year to end-January 1988; its net assets at that time were £442,000.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Feltrim Mining (Section: Third Market).

GWR Group (Leisure).

Gardiner Group (Electricals).

Gardner (D.C.) (Newspapers).

Overseas Investment Trust Warrants (Investment Trusts).

Psion (Electricals).

River & Mercantile Am. Cap. & Inc. Tst.: Cap., Inc., & Warrants (Investment Trusts).

Sharp & Law 8½pc Cnv. Prf. (Industrials).

Tullow Oil (Third Market).

FINANCIAL TIMES STOCK INDICES

	Apr. 22	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 15	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.26	91.01	91.09	91.31	91.43	91.26	91.43	86.97	127.4	49.18
Fixed Interest	97.75	97.92	97.90	98.31	97.75	97.92	98.31	94.14	105.4	50.53
Ordinary	1411.6	1423.4	1419.4	1429.7	1419.6	1415.7	1478.7	1349.0	1926.2	49.4
Gold Mines	205.7	208.6	216.4	218.1	221.4	217.5	312.5	205.7	734.7	43.5
FT-Act All Share	914.55	923.67	920.88	925.79	919.91	915.11	951.46	870.19	1238.57	61.92
FT-SE 100	1771.6	1791.9	1786.8	1798.9	1787.8	1778.4	1855.5	1694.5	2443.4	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡	F.P.	-	195	185	Acre Oil 50p	185	-4	W3.5	2.1	2.5	25.2
132	F.P.	-	150	136	Assoc. Nursing Servs 10p	138	+2	b2.0	3.6	1.9	18.4
95	F.P.	12/5	98	94	B W.D. Securities	94		u3.75	3.3	5.3	7.4
330	120	-	80	70	British Petroleum	75	-2½	W12.5	1.5	5.8	14.2
§90	F.P.	-	98	80	Central Motor Auctions	95		u2.5	2.0	2.8	14.1
-	F.P.	-	16	4	Cullens Hldgs. Wrnts	14		-	-	-	-
§85	F.P.	-	108	83	Dudley Jenkins 5p	106		R2.7	2.4	3.4	16.3
§210	F.P.	-	221	213	Freeman Group 10p	218	-2	u6.75	2.8	4.1	11.5
§125	F.P.	-	141	125	Handley-Walker 5p	141	+3	u3.3	2.4	3.1	15.6
140	F.P.	10/6	148	140	Holders Technology 10p	141		u6.0	2.0	5.7	11.6
§64	F.P.	20/4	80	64	Hughes (H.T.) 10p	76		R2.25	2.1	3.9	14.5
73	F.P.	22/4	81	74	MTL Instruments Grp 10p	74	-1	u2.0	3.3	3.6	11.3
93	F.P.	-	86	81	Merchant Manufactory Est.	81	-2	u3.0	1.6	4.9	6.7
-	F.P.	-	57	40	Marievale "S"	57		-	-	-	-
§90	F.P.	-	101	93	Morris Ashby 10p	95	+2	R3.57	2.3	4.7	9.5
-	F.P.	-	13	5	Oceonics Group Wrnts	11½	-1	-	-	-	-
14	F.P.	25/4	18	15	Resort Hotels 10p	17½		R0.42	2.5	3.2	14.3
§85	F.P.	-	86	83	Total Systems 5p	85		R2.5	2.1	3.9	15.9
§50	F.P.	13/4	63	60	Tranwrap	60	-1	b2.0	2.0	4.4	15.4
135	F.P.	22/4	151	136	U K. Paper 10p	141		R5.0	2.8	4.8	8.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100	F.P.	-	113p	111p	Adscene group 7¼pc Cv Cm. Rd Pf	111p	-2
100	F.P.	-	110p	101p	B M Group 4 6pc Net Cv Cm Rd Pf 20p	101p	
100	F.P.	-	76p	69p	Ivory International 5¼pc Cv Cm Rd Pf	75p	-1
100	£25	19/8	25¾	24¼	London Merc. Secs. 10% 1st Mort. 2018	24¾	-¼
100	F.P.	-	113p	100p	Low (Wm.) 6.75pc Cm Cv Red Prf £1	113p	
-	F.P.	-	100½	100	N'wide Anglia 9½% Bd Red 13.3.89	100⅜	+⅛
-	F.P.	-	100⅝	100	Do. 9¼pc Bd 17.4.89	100⅝	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
225	Nil	6/6	37pm	30pm	Wickes	[illegible]	
25	Nil	9/6	10pm	5pm	Williams (J)	9pm	-½

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ¥ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

FT CROSSWORD No.6,614

SET BY QUARK

ACROSS

1 and 4 Comforting aspect linked with 11 (6,6)
8 Elements linked with 11 do (lead?) (7)
9 I'm about to return born candidate (7)
11 A study (see 13) (10)
12 Part of brain for showing intelligence (4)
13 11 is the - - -. Some of them everywhere! (5)
14 Good quality sign linked with 11 (8)
16 Note in barrel (gun) linked with 11 (8)
18 Soil when following four of 19 is linked with 11 (5)
20 Resort hoping you'll list first of all! (4)
21 Treat cap or hat with me - apply essential oil (10)
23 Rondo is being played within the building (7)
24 Plagiarising - not caught - ridiculing (7)
25 Neat an' tidy in arrangement? (5)
26 Spirit, we hear, is linked with 11 (6)

DOWN

1 Quiet one was 3 (5)
2 Circus in London - Lord's way out? (7)
3 Smashing choice (9)
5 Sarcasm describing one linked with 11? (5)
6 One to get free from heart of triumph, linked with 11 (7)
7 Sets out forges hot with hammering (4,5)
10 Bridge opponent the very devil? (4-5)
13 Some linked with 11 could be by adding carbon (9)
15 Cheek I'll endure initially becomes awful, not wanting to let go (5-4)
17 What's linked with 11 on one is a dramatist (7)
19 But it's a cooked piece! (7)
21 Measure linked with 11 putting artist in the short list (5)
22 One linked with 11 for example rising just a little (5)

The solution to last Saturday's prize puzzle will be published with names on winners on Saturday May 7.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هيئة امن الأهصل

FT UNIT TRUST INFORMATION SERVICE

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	202.1	215.1	-0.6	2.66
UK Smllr Cos Equity	208.6	221.3	-0.1	2.02
UK Spec Sits	61.3	65.3	-0.2	2.97
Income Plus	52.9	56.2	+0.1	5.11
European	158.0	168.1	+0.1	1.19
Far Eastern	52.4	55.8	+0.2	1.45
Japanese	56.3	59.9	+0.3	–
North American	106.4	113.2	+0.2	1.55
Intl Growth	106.7	113.6	+0.3	0.88
Worldwide Venture	52.4	55.8	-0.1	3.16

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-556 2301/2/3

Equity Growth Acc	17.48	18.67	-0.02	3.14
Equity Growth Inc	17.48	18.67	-0.02	3.14
Intl Growth Acc	16.85	18.03	+0.02	1.73
Intl Growth Inc	16.74	17.92	-0.02	1.73
Global Income Acc	18.65	19.96	+5.46	–
Global Income Inc	18.65	19.96	+5.46	–
Market Leaders Acc	16.31	17.46	-0.04	3.27
Market Leaders Inc	16.09	17.22	-0.04	3.27

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	82.7	87.8	-0.2	0.00
Income	52.8	56.1	—	4.97
European (z)	53.5	55.6	-0.2	1.19
Nth American (z)	26.9	28.6	—	0.00
Intl Growth	431.7	459.2xd	+0.8	1.98
Gwth & Recovery	47.1	50.0	—	2.46

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-668 3724

Pep Equity Acc	318.5	338.9	-0.5	3.51

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	378.4	398.5	—	—
Eb'r Ph. Eq.	330.4	351.6	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	164.3	172.9	-0.3	—
International Acc.	123.4	129.8	+0.1	—
Property Acc.	128.0	134.7	+0.2	—
Fixed Interest Acc.	156.6	164.8	-0.7	—
Money Acc.	138.6	145.8	+0.1	—
Bldg. Soc. Link Acc.	135.6	142.7	+0.1	—
Special Mnged. Acc. B.	145.9	153.5	-0.3	—
Phoenix/Framlington				
Intnl. Growth Acc.	85.4	89.8	-0.3	—
Amer. & Gen. Acc.	78.8	82.9	-0.1	—
Capital Tst. Acc.	166.9	175.6	—	—
Japan & Gen Acc.	182.4	192.0	+0.3	—
American Turn Acc.	82.6	86.9	+0.2	—
Recovery Tst. Acc.	166.7	175.4	—	—
Special Mngd Acc.	140.1	147.4	-0.2	—
Phoenix/GT				
International Acc.	119.2	125.4	-0.3	—
US & General Acc.	84.3	88.7	-0.7	—
Amer Smr Sits Acc.	63.6	66.9	-0.1	—
Japan & General Acc.	183.7	193.3	+0.3	—
Far East & Gen. Acc.	141.0	148.4	-0.2	—
UK Capital Acc.	168.6	177.4	-1.1	—
European Acc.	129.9	136.7	—	—
Special Mngd. Acc.	123.4	129.8	-0.5	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.3	276.2	—	—
Man Pens Int & Cap Fds.	334.0	351.6	—	—
Money Fund	112.1	118.0	—	—
Pens Mngd Fd (Init)	81.5	85.8	—	—
Pens Mngd Fd (Acc)	92.3	97.2	—	—
Pens FT 30 Fd (Init)	126.2	132.9	—	—
Pens FT 30 Fd (Acc)	143.0	150.6	—	—
Pens O'seas MgFd (Init)	57.4	60.5	—	—
Pens O'seas MgFd (Acc)	65.0	68.5	—	—
Pens Fxd Int Fd (Init)	107.4	113.1	—	—
Pens Fxd Int Fd (Acc)	121.7	128.2	—	—
Pens Deposit Fd (Init)	101.2	106.6	—	—
Pens Deposit Fd (Acc)	114.6	120.7	—	—

Premium Life Assurance Co Ltd
37-39 Perrymount Road, Haywards Heath 0444 458721

American	79.0	83.0	—	—
Building Soc. Fd.	160.0	169.0	—	—
Balanced	233.0	246.0	-1.0	—

[illegible]

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prubond

Managed Apr 20	198.3	206.6	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	421.1	443.3	-2.2	—
Equity Fd.	839.2	883.4	-7.0	—
Intl. Fd.	291.0	306.4	-0.1	—
Fixed Int. Fd.	366.8	386.2	-1.0	—
Prop. Fd.	317.8	334.6	+0.1	—
Cash Fd.	236.2	248.7	+0.1	—
Pacific Basin Fd.	169.5	178.5	+0.6	—
North American Fd.	118.2	124.5	-0.1	—
European Fd.	121.2	127.6	-0.1	—
Holborn National Cash Fd.	98.7	103.9	-0.3	—
Holborn Strategic Cash Fd.	97.7	102.9	-0.2	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	459.5	483.7	-1.2	—
Equity	646.0	680.0	-2.0	—
Global Equity	190.3	200.4	—	—
Fixed Interest	380.35	400.6	-1.0	—
Property	312.8	329.3	+0.1	—
Cash	139.3	146.7	—	—
Index Linked Gilt	165.8	174.6	-0.1	—
Guaranteed	7.92	—	—	—
International Money	182.2	191.8	-0.1	—
North American Fd.	53.5	56.4	—	—
Japanese Fund	122.0	128.5	-0.6	—
European Fund	65.5	69.0	—	—
Special Situations Fd.	91.5	96.4	+0.4	—
Communications Fund	78.0	82.2	+0.1	—
Smaller Cos Fund	94.4	99.4	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 20	£123.96	127.45	—	—
Equity Fund Apr 20	£133.78	137.80	—	—
Intl Fund Apr 20	£20.13	20.78	—	—
Intl Bond Fd Apr 20	£10.06	10.20	—	—
Fixed Int Apr 20	£69.41	70.29	—	—
Index Linked Apr 20	£52.92	53.57	—	—
Property Fund Apr 20	£82.88	86.35	—	—
Cash Fund Apr 20	£18.409	18.4629	—	—
Pru-Linked Retirement Plan				
Managed Fd Apr 20	312.2	325.3	—	—
Cash Fund Apr 20	174.9	182.2	—	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS GOVT STERLING ISSUES

50	African Dv Bk 11¼ Ln 2010.	106¼	10.58	3.12	4 Jan 4 Jul	—
100	Asian Dev Bk 10⅛pcLn2009	102	9.91	19.2	24Mar 24Sep	—
100	Australia 13½ pc 2010.	127¾	10.30	23.12	28Jan 28Jul	—
100	Do. 11¾ pcLn2015.	111	10.17	24.3	26Apr 26Oct	—
75	Euro Inv Bk 11pc Ln 2002	108	9.84	23.2	23Mar 23Sep	—
100	Do. 10⅛ pc2004	104	9.84	22.10	22Mar 22Nov	—
75	Int-Am Dev Bk 12½pc 2003.	118	10.00	7.12	8Jan 8Jul	—
175	Do. 9¾ pcLn 2015.	97¾	10.05	13.4	15May 15Nov	—
75	Malaysia 10¼ pcLn 2009.	95¼	11.28	23.12	31 Jan 31 Jul	—
50	Sweden 13½pc Ln 2010.	128¾	10.19	21.12	22 Jan 22 Jul	—
50	Utd. Mexican States 16½pc 2008.	182	16.13	26.1	1Mar 1Sep	—

CORPORATION LOANS

32	Birmingham 11½pc 1989	104	9.29	20.10	20 May 20 Nov	1838
45	Do. 11½pc 2012.	109	10.37	15.10	15May 15Nov	1837
—	GLC 6¾ pc 1990–92	92	9.40	20.10	15Feb 15Aug	2647
40	Leeds 13½pc 2006	125	10.35	11.3	1Apr 1Oct	3146
5	Liverpool 3½pc Irred.	32	—	1.3	1Ja Ap Ju Oc	3169
—	LCC 6¾ pc '88–90.	95	9.20	10.12	10Jan 10Jul	3198
—	Do. 3pc '20 Aft.	30	—	1.2	1Mar Ja S D	3197
7	Manchester 11½pc 2007.	109	10.40	31.3	25Apr 25Oct	3275

COMMONWEALTH & AFRICAN LOANS

—	NZ 7¼ pc 1988–92.	92⅝	9.40	1.12	1Jan 1Jul	—
—	S Rhod 2½pc Non-Assd.	197	—	—	1Apr 1Oct	—
—	Do. 4½pc 87–92 Assd.	71½	—	7.1	7Feb 7Aug	—
4	Zimbabwe Ann (£100pd)	42	—	15.3	15Apr 15Oct	4572

LOANS

Building Societies

20	N'Wide Anp. 9⅞pc 3.5.88.	100	8.70	28.9	3May 27Oct	—
20	Do. 8⅞ pc 23.5.88.	100	8.70	5.4	23May 18Nov	—
20	Do. 8⅞ pc 20.6.88.	100¼	8.38	16.11	20Jun 15Dec	—
20	Do. 9⅝ pc 11.7.88.	100	8.39	7.12	6Jan 11Jul	—
20	Do. 10pc 1.8.88.	100	8.30	29.12	27Jan 1Aug	—
20	Do 10⅞ pc 22.8.88.	100	8.28	18.1	17Feb 22Aug	—
20	Do. 10⅞pc 12.9.88.	100	8.39	—	7Mar 12Sep	—
20	Do. 10⅝pc 26.9.88.	100	8.44	22.2	21Mar 26Sep	—
20	Do. 10⅞pc 31.10.88.	100	8.46	25.3	26Apr 31Oct	—
20	Do. 9¼ pc 28.11.88.	100	8.67	—	23May 28Nov	—
20	Do. 9¼ pc 28.12.88.	100	8.82	—	21Jun 28Dec	—
20	Do. 9⅞pc 23.1.89.	100	8.87	—	23Jan 18Jul	—
20	Do. 9⅞pc 20.2.89.	100	9.00	—		—
60	Do. 3⅞pcIL Ln 2021.	91½	4.66	4.1	30Jan 31Jul	3465

Public Board and Ind.

3	Agric. Mt. 5pc '59–89.	94	9.50	1.12	1Jan 1July	1532
25	Met. Wtr. 3pc 'B'	44	10.04	1.2	1Mar 1Sep	3561

Financial

3	Inv in Ind 11¾pc Un Ln '90.	103½	9.44	7.12	11Jan 11Jul	—
15	Do 7¼ pcADb89–92.	94½	8.69	30.11	30Sep 31Dec	—
15	Do. 12½pc Un. Ln. 1992.	108	9.67	15.2	14Mar 14Sep	—
10	Do. 7¼pc A 1991–94.	92½	8.80	29.2	31Mar 30Sep	—
10	Do. 9pc A 1991–94.	100	8.89	29.2	31 Mar 30 Sep	—
9	Do. 8¾ pc Ln 1992–97.	98	9.86	1.2	31Aug 28Feb	—

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yield	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45	3.50	7.78	2.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	45	3	6.67	1.2	1Feb 1Aug	2762
—	Do 4pc Mixed Ass.	45	2	4.44	5.4	1Apr 1Oct	2761
—	Hung. '24 Ass.	65	2.75	4.37	1.5	1May	2935
40	Hydro Quebec 15pc 2011	138	15.00	10.52	29.10	31May 30Nov	—
30	Iceland 14½pc Ln 2016.	125	14.50	11.41	4.1	31Jan 31Jul	—
30	Ireland 9¾pc '91–96.	100¼	9.75	9.70	1.2	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
5,432.8	Abbott Laboratories‡	23¾xd	$1.20	2.8	11.4	Fb My Ag Nv	1503
242.6	♦Allegheny & W 1c.	477p	30c	3.4	—	—	—
1,058.3	Amax $1	11¼	020c	—	25.4	Mr Jn Se De	1581
1,012.6	Amdahl 5c.	19¾	20c	0.6	5.11	Nv Mr Jn Ag	—
2,345.4	Amer. Cyanamid $5.	25½	$1.05	2.3	22.2	Mr Je Se De	—
6,218.6	Amer. Express 60c.	12½	76c	3.3	5.4	Fb My Ag Nv	1596
721.0	Amer. Medical Int. $1.	887p	472c	4.4	12.1	Fb My Au Nv	—
15,165.6	American T. & T. $1.	14¼	$1.20	4.7	25.9	Fb My Ag Nv	1597
6,316.0	Ameritech $1	45¼	$5.40	—	28.3	Fb My Ag Nv	—
309.5	Amfac‡	18¾	—	—	11/84	Mr Jn Se De	—
4,873.5	Anheuser-Busch $1.	16¼xd	60c	2.0	—	Mr Ja Se De	1620
—	♦AridTech‡	72½p	—	—	—	—	—
890.8	BankAmerica $1⅝	550p	—	—	11/85	Fe My Ag No	1744
1,295.5	Bankers N.Y. $10.	16¼	$1.86	6.3	26.3	Ap Jy Oc Jan	1745
6,784.7	Bell Atlantic $1.	34¼	$4.08	6.5	25.9	Fe My Au No	—
9,745.7	BellSouth Corp.	28¼	$2.30	5.9	06.03	Fe My Au No	—
667.6	♦Bethlehem Steel $8.	10⅝	—	—	4.11	Mar Jun S D	1821
—	Bio-Rad Labs. Inc. 'A'	968p	—	—	—	—	—
610.5	Bowater Inc.	16½xd	92c	3.0	08.02	Dc Ja Ap Jy	1884
1,826.7	Browning-Ferris 16.6c	12¼	48c	2.1	15.12	Ja Ap Jly O	1986
1,059.0	Brunswick 75c.	11⅛xd	96c	1.7	20.4	F My Au N	1989
2,017.2	CPC Intnl. 25c.	24⅝	$1.44	3.2	25.9	Jan Ap Jly O	2263
2,312.3	CSX $1.	14¾	$1.24	4.6	22.2	M J S D.	—
358.4	CalFed Inc $1	12¼	$1.20	5.4	11.01	Mr Jn Sp Dc	—
1,811.9	Campbell Soup 15c.	13⅞xd	84c	3.3	4.1	Oc Ja Ap Jy	—
3,296.2	Caterpillar Inc $1.	32½xd	75c	1.3	20.4	F My Au N	—
1,881.4	Chase Manhattan $12½.	13¼xd	$2.16	8.9	27.10	Fb My Ag Nv	2109
1,096.0	Chemical New York.	12¾xd	$2.72	12.0	18.02	Ap Jy Oc Ja	—
2,604.7	Chrysler $6¼	12¼xd	$1.00	4.5	10.3	Mar Jun S D	2135
3,319.1	Citicorp $1.	10¾	$1.48	7.8	27.4	My Au N F	2141
4.49	CityFed Fin. Corp.	21Op	4c	1.0	29.10	Fb My Ag Nv	—
1,453.4	Colgate-Palmolive $1	21⅛xd	$1.48	3.8	20.4	F My Au N	2184
566.3	Cons Freightways 62½c.	14⅝	82c	3.1	3.11	Fe My Au Nv	—
82.3	Cont'l Illinois Corp $1.	204p	8c	2.1	2.12	Dc Mr. Je Sp.	—
17.1	Cont. Illinois Hldgs $1.	7p	—	—	—	Mr Jn Se De	—
—	♦Corporate Data Scnce.	385p	—	—	—	—	—
115.6	Cullinet Sftwr 1c.	358p	—	—	—	—	—
873.7	Dana Corp. $1.	19½xd	$1.52	4.3	21.8	Mr Jn Se De	2306
341.5	Data General	13⅛	—	—	—	—	—
50.2	♦Derma-Lock Med.	54p	—	—	—	—	—
3,725.5	Dun & Bradstreet $1.	24½	$1.50	3.4	15.01	Mr Jn Sp Dc	—
1,286.6	Eaton Corpn. 50c.	41⅛xd	$2.00	2.7	29.4	F My Au N	2410
1,941.2	FPL Group 1c.	14⅞	$2.12	7.8	26.8	Mr Jn Sep Dec	—
759.3	First Chicago $5.	13½	$1.50	6.1	01.02	Jan Apr Jly O	2568
12,591.7	Ford Motor $2.	25¾xd	$2.00	4.6	28.10	Mar Jun S D	2615
475.5	GATX 62½c.	25⅞	$1.80	3.9	01.03	Mar Jun S D	2662
19,165.1	Gen. Elect. 63c.	20⅞	$1.40	3.7	23.01	Ja Ap Au Dc	2675
—	♦General Host Corp $1.	529p	28c	2.3	—	—	—
2,543.5	Gillette $1.	21⅞	86c	2.1	29.10	Mar Jun S D	2695
193.1	Gt Am First Svgs Bk $1.	589p	60c	5.6	27.10	Fb My Aug Nv.	—
615.1	Greyhound $1½	15¾xd	$1.20	4.3	3.3	Ja Ap Jy Oc	2778
395.1	Hasbro Inc 50c.	740p	9c	0.7	01.01	Ja No Au My	—
261.0	Home Group $1.	657p	20c	1.7	25.01	Jan Mar Jn Dc	2915
1,610.7	Honeywell $1½	36⅛	$2.10	3.1	22.2	Mar Jun S D	2919
1,524.6	Hospital Corp Am $1.	18½	72c	2.1	29.3	No Au Ap Ja	—
1,846.2	Houston Inds.‡	15¼	$2.96	10.3	11.8	Mr Jn Se De	—
35,458.0	IBM Corpn $1¼	59¾	$4.40	4.1	6.11	Mar Jun S D	2986
2,059.9	IC Industries	18⅞	88c	2.6	7.3	Ap Jy Oc Ja	2951
3,386.6	ITT Corpn. $1	24xd	$1.25	2.9	16.10	Ja Ap Jy Oc	3010
0.85	Image Storage/R.Sys.1c. ♥	40p	—	—	—	—	2961
1,048.7	Ingersoll-Rand $2.	19⅝	$1.04	2.9	15.2	Mar Jun S D	2979
224.6	Insilco $1	986p	$1.00	5.6	23.02	Fb Ap Ag Nv	—
992.1	IU Intnl. $1.15.	11½	—	—	11.10	Mar Jun S D	3011
1,541.7	Lockheed Crpn. $1.	23½	$1.40	3.3	11.01	Mar Jun S D	—
257.8	Lone Star Inds $1.	15⅝	$1.90	6.7	2.3	May Au N Mar	3216
511.9	Louisiana Land 15c.	16⅛	$1.00	3.3	25.2	Mar Jun S D	3222
401.2	Lowe's 50c.	10⅞	44c	2.3	12.1	Jan Ap Jly Oc	—
642.2	Manuf. Hanover $7½.	13¾	$3.28	13.4	26.6	Jan Ap Jly Oc	3279
1,261.0	Merrill Lynch $1.	11⅞	$1.00	4.6	4.8	Feb My Au N	3351
546.3	Molex Inc. ♥	21⅞	3.2c	—	—	—	3397
3,001.8	Morgan (JP) $2½	16⅝	$1.50	4.9	16.12	Jan Ap Jly O	3418
6,703.7	NYNEX $1.	32¾	$4.04	6.7	26.3	F May Au N	—
278.6	PHH	16⅞	$1.08	3.6	05.03	Ja Ap Jy Oct	—
2,926.6	Pac Gas & Elect $5.	795pxd	$1.92	13.2	10.02	Ap Jy Oc Ja	—
1,252.3	Pacificorp $3¼	18xd	$2.52	7.7	20.4	Feb My Ag Nv	—
6,189.2	Pacific Telesis 10c.	14⅞	¶$1.64	6.2	12/85	Fe My Au No	—
587.4	Pall Corp. 25c.	15⅞xd	34c	1.2	13.7	Fe My Au No	—
1,564.8	Pennzoil $3 1/3c.	38⅛	$2.20	3.2	24.01	Mar Jun S D	3630
565.0	Premark Intl.	16⅛	032c	1.1	16.02	Jan Ap Jl Dc	3710
721.8	Primerica $1.	13½	$1.60	6.5	5.11	Fe Ma Au No	3723
1,907.5	Quaker Oats $5.	23⅜	$1.00	2.3	21.3	Jly Oc Jan Apr	3738
6,647.7	RJR Nabisco Inc.	26⅞	$1.92	3.9	5.11	My Jn Se De	—
561.3	Rep NY Corpn $5.	22½xd	$1.20	2.9	10.3	Jan Apr Jly O	3814
2,629.7	Rockwell Intl. $1.	9⅞xd	72c	4.1	17.01	Mr Jn Se De	3847
2,139.7	Sara Lee $11/3.	19⅞	$1.20	3.3	25.2	Oc Ja Ap Jly	3918
5,552.3	Southwestern Bell $1.	18½	$2.48	7.3	7.7	Fb My Ag No	—
572.4	♦Staley Continental‡.	19¾	80c	2.2	—	—	—
3,309.4	Sun Co. Inc. $1.	30⅞xd	$3.00	5.4	3.11	Mr Ja Se De	4135

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

Treasury Acc.	7.25	5.56	7.50	Qtr
Mth Int Chq £1000-£5000	7.00	5.37	7.34	Mth
Mth Int Chq £5,000+	7.25	5.56	7.62	Mth

Bank of Ireland
36 Queen St, EC4R 1BN. 01-329 4500

High Int Cheq Acc	7.492	5.750	7.67	Qtr
£10,000+	7.818	6.000	8.00	Qtr

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,384.4	TRW Inc. 62½c	23⅛	$1.60	3.7	11.8	Mr Jn Se De	4318
3,277.4	Tenneco $5	22⅛	$3.04	7.5	11.8	Mr Jn Sp Dc	4194
5,980.2	Texaco $6.25	24⅛	$3.00	6.7	31.7	Mr Je Se De	4200
4,278.4	Time Inc. $1	45	$1.00	1.2	24.8	Mr Ju Se De	4234
1,278.7	Transamerica $1	16⅛	$1.84	6.0	31.3	Ja Ap Ju Oc	4289
486.6	Transworld Corp $5	940p	20c	1.2	11.11	Fe My Au No	–
542.5	TRINOVA Corp	15⅞	56c	1.9	9.11	Mc Je Se De	4309
4,340.6	USX $1	16⅛	$1.20	3.9	30.10	Mr Je Se De	4380
2,656.1	Utd. Technologies	20⅛	$1.60	4.3	19.5	Mr Je Sp Dc	4381
5,435.1	US West	27⅛	$3.52	7.1	13.4	Fb My Ag Nv	–
4,059.8	Waste Management $1	18	36c	1.1	21.3	Ap Jly Oc Jan	4439
891.4	Whirlpool $1	12⅞	–	–	25.01	Mr Jn Se De	–
1,855.4	Woolworth $3½	24⅛	$1.64	3.2	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	220p	–	–	–	–	–
–	Abbot Energy Corp	13p	–	–	–	–	–
648.0	Amer Barrick Res	11⅛	–	–	–	–	–
–	American Lighthouse	8½p	–	–	–	–	–
–	Arvideo	25p	–	–	–	–	–
–	Augmitto Explo	51p	–	–	–	–	–
1,182.6	Bk Montreal	11⅛	$2.00	7.8	9.11	Fb My Ag Nv	–
908.9	Bk Nova Scot	540p	72c	5.8	28.3	Ja Ap Jn Oc	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

10.4	Medirace 10p.......ψ	121	—	—	—	—	3328
11.4	Norton Group 5p....ψ	22	—	—	—	—	4674
1.80	Ovoca Gold IR 2p.ψ	57	—	—	—	—	1470
5.75	Propeller 1p.........ψ	46	—	—	—	—	3729
2.43	Publishing Hldgs 5p..ψ	15	—	—	—	—	3735
4.85	Seacoe Hldgs.........ψ	78	—	—	—	—	3968
4.97	Stats Hldgs. 5p.....ψ	18	—	—	—	—	4625
4.28	Swanyard Studios 1p.ψ	3	—	—	—	—	4666
21.6	Taitare..................ψ	240	b1.0	0.5	—	—	4647
7.89	Thame Holdings......ψ	41	1.1	3.7	27.4	June Dec	4206
2.91	Tomorrows Leisure 20p.ψ	26	—	—	—	—	4248
10.6	Tullow Oil 10p.......ψ	17	—	—	—	—	4886
4.92	UPL Group 10p.......ψ	122	L2.41	2.6	—	—	4362
5.75	Unit Group............ψ	142	84.6	4.3	9.11	Jan July	4357
6.36	Video Tape Recording 5p.	92	12.5	3.3	—	—	4591

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆☆ Dealt in under Rule 535(3).
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....ψ	70	......
Craig & Rose £1..ψ	688	......
Finlay Pkg. 5p....ψ	76	......
Holt (Jos) 25p.....ψ	£11¼	+¼

IRISH

Fund 11¼% 1988...	£100¼	......
Nat. 9¾% 84/89..	£101	......
Fin. 13% 97/02...	£118⅝	......

Arnotts...............ψ	290	−10
CPI Hldgs.............ψ	88	......
Carrol Inds...........ψ	152	......
Hall (R. & H.).......	110½ψ	......
Heiton Hldgs.........ψ	39	−1
Irish Ropes...........ψ	120	......
Unidare...............ψ	350	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	40
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	48
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42

Property

Brit Land	28
Land Securities	48
MEPC	48
Peachey	40

Oils

Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24

Mines

Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

DIARY DATES

FINANCIAL

TODAY
COMPANY MEETINGS-
AMS Industries, The Dunkenhalgh Hotel, Clayton-le-Moors, Accrington, Lancashire, 12.00
Leading Leisure, Norfolk Royale Hotel, Richmond Hill, Bournemouth, 11.00
Scottish Eastern Inv. Trust, 29 Charlotte Square, Edinburgh, 12.00
BOARD MEETINGS-
Finals:
Albany Inv Tst.
Davies & Newman
Feedex Agricultural Inds.
Futura Hldgs.
How Group
London American Ventures Tst.
RKF Group
Tarmac
United Friendly Insurance
Interims:
Allied London Properties
Equity & Law Intl Funds
Cosalt
Hawthorn Leslie
Lyles (S.)
Rosehaugh
DIVIDEND & INTEREST PAYMENTS-
Anglia Television 10p
Bankers Trust New York 48.5cts.
British Inv Tst. 5% Deb. 2.5pc.
Camellia Invs. 10p
Consolidated Venture Trust 0.35p
Continental Assets Tst. 0.1p
Conversion 9½% 2004 4.25pc.
Exchequer 11% 1991 5.5pc.
Federated Housing 3.3p
General Electric Co. 36cts.
Great Western Resources "A" 3p
Do. "B" 8.349p
Henderson Prime Residential Prop. 0.75p
Industrial Finance & Inv. 1.5p
Manchester(City of) 11.5% 5.75pc.
Manufacturers Hanover Corp 82cts
Microvitec 1p
North Surrey Water Co. 7% 3.5pc.
Do. 4.9% "A" 2.45pc.
Do 4.9% "B" 2.45pc.
Do 3.5% 1.75pc.
Do 3.5%(Fmly 5pc) 1.75pc.
Osprey Comms. 1p
Persimmon 1.5p
Renishaw 1p
Task Force Grp. 1.9p
Treasury 9½% 1988 4.75pc.
Treasury 10% Cnv 1990 5pc

TOMORROW
COMPANY MEETINGS -
Continental and Industrial Trust, St. Andrews House, 40 Broadway, S.W., 10.15
Janter, Knightsbridge House, 197 Knightsbridge, S.W., 12.00
Lambert Howarth, The Dunkenhalgh Hotel, Clayton-le-Moors, Accrington, Lancashire, 12.00
Newage Transmissions, Hotel Leofric, Broadgate, Coventry, 11.30
Rowtree, Joseph Rowntree Theatre, Haxby Road, York, 3.00
Williams Hldg., Post House Hotel, Crick, Northamptonshire, 12.00
Worcester Group, Digiis, Worcester, 1.00
BOARD MEETINGS-
Finals:
BDA Hldgs.
CI Group
Dencora
FR Group
Holt (Joseph)
Lancs
Majedie Invs
Plumb Hldgs.
Raine's Group
Scott & Robertson
Scottish National Tst.
Triefus
Walker Greenbank
Ward Group
Interims:
Caskat
Five Oaks Invs.
Scottish Metropolitan Property
DIVIDEND & INTEREST PAYMENTS-
Australia (Commonwealth of) 11¾% Ln. 2015 5.8875pc.
Commercial Bank of Near East 30p
News Intl. 9% Gtd. Bds. 1990 $188.42
Philips Lamps NV Fl1.4
Queens Moat Houses 1p
Shoreplan 1p
Systems Reliability 3.3p

WEDNESDAY APRIL 27
COMPANY MEETINGS -
Assam-Dooars Hldgs., 1 Hobart Place, S.W., 11.30
Delta Group, Hyde Park Hotel, Knightsbridge, S.W., 12.00
Gartmore Information and Fin. Trust, Gartmore House, 16-18 Monument St, E.C., 9.00
Hallis Homes & Gardens, 1-3 Revenge Road, Lords Wood, Chatham, Kent, 12.30
Kode Intl., The Holiday Inn, Lower Castle St, Bristol, 12.00
Owners Abroad, The Barber Surgeons Hall, Monkwell Square, Wood St, E.C., 12.00
Paragon Communications, Film House, 142 Wardour St, W., 10.00
Walter Duncan & Goodricke, 1 Hobart Place, S.W., 11.00
BOARD MEETINGS-
Finals:
Ellis & Goldstein
Elswick
Foseco Minsep
Gee (Cecil)
Martin (R) Groome
Murdin & Peacock
S & U Stores
Shiloh
Smaller Companies Inv. Tst.
Walker (J O)
Interims:
Clydesdale Inv. Tst.
Framlington Overseas Income & Growth
Hatfield Estates
Jessups
Tate & Lyle
DIVIDEND & INTEREST PAYMENTS-
Abercom 6cts.
BPP Hldgs. 4p
Bank of Nova Scotia 19cts.
Continental & Ind. Tst. 30p
Exchequer 13½% 1994 6.75pc.
Exchequer 15% 1997 7.5pc.
National Westminster Finance Gtd. Flg. Rate Nts. 1992 $200.15
Newage Transmissions 2.5p
Novo Ind A/S "B" Dk4
Peachey Prop 4.5p
St. Modwen Props 0.5p
Williams Hldgs. 4.34p

THURSDAY APRIL 28
COMPANY MEETINGS -
ASD, Valley Farm Road, Stourton, Leeds, 12.00
Doeflex, Founders Hall, 1 Cloth Fair, E.C., 12.00
Jaguar, The London Marriott Hotel, Grosvenor Square, W., 11.30
Macallan-Glenlivet, The Macallan Distillery, Craigellachie, Banffshire, 12.00
Midland Bank, Merchant Taylors' Hall, 30 Threadneedle St, E.C., 11.00
Richardsons Westgarth, Centre Halls, Woking, Surrey, 12.30
TI Group, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 11.30
Vickers, Conference Hall, Millbank Tower, Millbank, S.W., 12.00
BOARD MEETINGS-
Finals:
Brit. & Commonwealth
Clarkson (Horace)
Eagle Trust
Micro Focus
Mining & Allied Supplies
Molynx
Scottish Mortgage & Trust
Slingsby (H.C.)
Smallshaw (R.)
Windsmoor
Interims:
Bellway
CDFC Trust
DAKS Simpson
Ensign Trust
ICI
Gleeson (M.J.)
UK Land
DIVIDEND & INTEREST PAYMENTS-
Assam-Dooars 10p
Banner Homes 1.3p
Braime(T.F.&J.H.) 3.5p
Do. "A" Non-Vtg. 3.5p
Canadian Imperial Bank of Commerce 28cts.
Canadian Pacific 15cts.
Citygrove 2.8p
Duncan(Walter) & Goodricke 20p
Fletcher Challenge Nz$0.105
Harrisons Malaysian Plants. Berhad 6sen.
March Grp. 2.52p
News Corp. 4cts.
News Intl. Spec. Div. 1.6461p
Owners Abroad 2.1p
Pacific Dunlop 7cts.
Paringa Mining & Expln. 4cts.
Provident Financial 11.5p
Western Dooars Tea 7p

FRIDAY APRIL 29
COMPANY MEETINGS -
Allied Partnership Group, The Rubens Hotel, Buckingham Palace Road, S.W., 11.30
Asset Trust, Howard Hotel, Temple Place, W.C., 12.00
Benro Inds., The Beltry Hotel, Wishaw, Sutton Coldfield, 12.00
Clayform Props., The Chesterfield Hotel, 35 Charles St, W., 11.30
Dean & Bowes Group, The Bridge Hotel, Huntingdon, 12.00
Delaney Group, Strathallan Hotel, 225 Hagley Road, Edgbaston, Birmingham, 12.30
Dubilier Intl., Dury Lane Moat House Hotel, Dury Lane, W., 12.00
EBC Group, Imperial Hotel, St. Davids, Exeter, 12.00
Hickson, Butchers Hall, 87 Bartholomew Close, 2.30
Lowe Howard-Spink & Bell, The Hyde Park Hotel, 66 Knightsbridge, S.W., 12.00
Mayborn Group, Dylon House, Worsley Bridge Road, Lower Sydenham, S.E., 10.30
Mount Charlotte Invs., Mount Royal Hotel, Bryanston St, W., 12.00
Peek, Royal Automobile Club, Pall Mall, S.W., 3.00
Rockwood Hldgs., James Watt Room, The Brewery, Chiswell St, E.C., 12.00
Saga Holidays, The Saga Building, Middelburg Square, Folkestone, Kent, 2.30
Scandinavian Bank Group, Institute of Directors, 116 Pall Mall, S.W., 12.00
Transport Development Group, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 12.00
VG Instruments, Clarendon Room, Brown's Hotel, Albemarle St, W., 11.30
BOARD MEETINGS-
Finals:
Beattie (James)
Clayton, Son
Densitron Intl.
Interims:
Fenner (J.H.)
Fisher (Albert)
London Entertainments
Philips Lamps
DIVIDEND & INTEREST PAYMENTS-
BTR Nylex A$0.09
Baillie Gifford Shin Nippon 0.1p
Baltic 1.6p
Banco LatinoamericanoDeExport Flg. Rate Nts. 1990 $416.2
Bank of Montreal Flg. Rate Deb. Ser. 6 1991 $407.6
Do. Flg. Rate Deb. Ser. 9 1998 $183.28
Bank of Nova Scotia Flg. Rate Debs. 2000 £221.59
Bejam 2.5p
Bracken Mines 30cts.
British Mohair 6% Pf. 1995 2.1p
Capital & Counties 5p
Chemical New York Flg. Rate Nts. 1999 $95.38
Citicorp Banking Gtd. Flg. Rate Sub. Cap. Nts. 30/10/99 $183.25
Do. Gtd. Flg. Rate Sub. Cap. Nts. 30/1/97 $183.25
Consolidated Plantations Berhad M$0.08
Crowther(John Edwards) 5½% Pf. 1.925p
Dow Chemical 80cts.
Dubilier Intl. 1p
Dundee & London Inv. Tst. 5pc. Pf. 1.75p
Finland(Republic of) Flg. Rate Nts. 1990 $344.35
Gartmore Information and Fin. Tst. 0.875p
Global Grp. 1.25p
Green (Ernest) & Partners 1.75p
Grolund Intl. 1.51cts.
Grupo Ind. Saltillo Flg. Rate Nts. 1988 $228.75
Haggas(John) 1p
Halifax B.S. Flg. Rate Ln. Nts. 1996(Ser A) £34.73
Haynes Publishing 7p
Howden Grp. 7¾% Deb 86-91 3.875pc.
Do 8¼% Deb 86-91 4.125pc.
Intereurope Technology Services 2p
International City Hldgs. 3p
International Inv. Tst. of Jersey 7p
Italy(Republic of) Flg. Rate Nts. 2005 $55.38
Kinross Mines 130cts.
LWT 2.04p
Law Debenture 5.25p
Leslie Gold Mines 25cts.
Lloyd Thompson 1.65p
London & Scottish Marine Oil Units 15.219p
Lowe's Cos. 11cts.
Macallan-Glenlivet 3.32p
Marcol 0.73p
Marks & Spencer 10% Pf. 3.5p
Miller, Rayner & Haysom 10% Pf. 1.3125p
Murray Income Trust 6% Deb 83/88 3pc.
Murray Intl. Trust 6% Deb 85/88 3pc.
Northchart Invs. 10cts.
Pacific Assets Trust 0.85p
Paragon Comms. 0.9p
Prestwich Hldgs. 0.5p
Robinson (Thomas) 6p
Royal Bank of Canada Flg. Rate Debs. 2005 $55.38
Sale Tilney 8p
Scottish & Newcastle Breweries 7¼% Mtg. Deb. 89/94 3.625pc.
Do. 6¼% Mtg. Deb. 85/90 3.625pc.
Do. 6% Mtg. Deb. 84/89 3pc.
Sedgwick Group 8p
Shires Inv. 3.15p
Sinclair Goldsmith 0.9p
Spong Hldgs. 0.4p
Strong & Fisher 3.7p
TI Group 6.5p
Throgmorton USM Tst. 1.8p
Trafford Park Estates 1.55p
Transamerica Corp. 49cts.
Trinity Intl. 18p
USF & G Corp. 66cts.
Unisel Gold Mines 65cts.
Walker (Thomas) 0.178p
Wells Fargo & Co. Flg. Rate Sub. Nts. 1992 $55.68
Winkelhaak Mines 170cts.

SATURDAY APRIL 30
DIVIDEND & INTEREST PAYMENTS-
Astra Hldgs. 0.35p
Banco de Santander SA 65pts.
Bankers Inv. Trust 10½% Deb. 2016 5.25pc.
Batleys 10% Pf. 5p
Blackwood Hodge 6% Pf. 2.1p
Blundell-Permoglaze 7¼% Uns. Ln. 90/95 3.625pc.
British-American Tobacco 6% Pf. 2.1p
Brixton Estate 6¼% Mtg. Deb. 86/91 3.125pc.
Brown & Tawse 7% Pf. 2.45p
Burmah Oil 6% 1st Pf. 2.1p
Do. 6% 2nd Pf. 2.1p
Do. 8% Pf. 2.8p
Do. 7¼% Red. Pf. 2.5375p
Campbell Soup 21cts.
Cantors 7½% Pf. 2.625p
Capital & Counties 5¼% Cnv. Pf. 3.723p
Clarke (Matthew) & Sons 7% Red. Pf. 2.45p
Clutsom-Penn Intl. 6½% Deb. 85/90 3.25pc.
Do. 7½% 2nd Deb. 88/91 3.75pc.
Cookson Group 7% Pf. 1.225p
Creata Hldgs. 0.73p
ERF (Hldgs.) 10% Pf. 5p
Ellis & Everard 7¼% Deb. 87/92 3.625pc.
English Electric Co. 6¼% Deb. 84/89 3.125pc.
English Property Corp. 9⅞% 1st Mtg. Deb. 97/02 4⅝pc.
Estates Property Inv. 10% 1st Mtg. Deb. 2011 5pc.
Do. 7¾% Uns. Ln. 88/92 3.875pc.
Evans of Leeds 11% 1st Mtg. Deb. 2025 5.5pc.
First National Finance Corp. 10% Sub. Uns. Ln. 1992 5pc.
Fisons 6½% Deb. 84/89 3.25pc.
Foreign & Col. Inv. Tst. 7% Uns. Ln. 88/93 3.5pc.
Garton Eng. 8½% Cnv. Gtd. Uns. Ln. 93/97 4.25pc.
Govett Intl. Mngd. Ptg. Red. Pf. 0.5p
Guildhall Property Co. 6% Pf. 2.1p
Heavitree Brewery 11½% Pf. 5.75p
Intl. City Hldgs. 3p
Jackson (William) & Son 7½% Pf. 2.625p
Johnson, Matthey 8½% Mtg. Deb. 85/95 4.25pc.
Kleinwort, Benson Intl. Inc. Bd. Fd. Ptg. Red. Pf. 17.48p
Land Securities 6% 1st Mtg. Deb. 88/93 3pc.
Do. 7¼% 1st Mtg. Deb. 91/96 3.625pc.
Latham (James.) 8% Pf. 4p
London American Ventures Tst. 3½% Deb. Red. 1.75pc.
Do. 4% Deb. Red. 2pc.
London Intl. Group 8% Uns. Ln. 90/95 4pc.
London Merchant Secs. 7¾% Cnv. Uns. Ln. 2000/05 3.875pc.
London Shop 3.85% Pf. 1.925p
Do. 9% Cnv. Uns. Ln. 94/99 4.5pc.
Do. 7% Cnv. Uns. Ln. 2001/06 5.0727p
Do. 9.25 Cnv. Uns. Ln. 99/2004 4.625pc.
Do. 11.625% 1st Mtg. Deb. 2018 5.8125pc.
Do. 12.5% 1st Mtg. Deb. 2015/20 6.25pc.
Do. 10% 1st Mtg. Deb. 2016 5pc.
Lookers 5.75p
Lowe (Robert H.) 6½% 1st Pf. 2.275p
Macenie (London) 7½% Uns. Ln. 86/91 3.75pc.
Do. 7¾% Uns. Ln. 86/91 3.875pc.
McAlpine (Alfred) 9% Pf. 4.5p
Marley 6¼% Deb. 83/88 3.125pc.
Metal Closures 6% Pf. 2.1p
Newarthill 8¼% Pf. 2.8875p
Nova Scotia (Prov. of) 16⅝% Ln. 2011 8.375pc.
PHH Group 27cts.
Parkfield Group 7% Cnv. Red. Pf. 3.5p
Peel Hldgs. 10% Pf. 2.5p
Do. 9¾% 1st Mtg. Deb. 2011 4.9375pc.
Pico Hldgs. 3p
Do. 'A' 3p
Portsmouth & Sunderland News. 8% Pf. 2.8p
Do. 10.5% 2nd Pf. 5.25p
Racal Elect. 7% Cnv. Uns. Ln. 09/14 3.5pc.
Ranks Hovis McDougall 6⅜% Uns. Ln. 85/88 3.1875pc.
STC Dist. 7% Deb. 89/94 3.5pc.
Scottish & Newcastle Breweries 5½% Pf. 1.925p
Do. 7¾% Pf. 2.7125p
Scottish Inv. Tst. 4¼% Perp. Deb. 2.125pc.
Do. 5% Perp. Deb. 2.5pc.
Seagram Distillers 12¾% Deb. 2012 6.1875pc.
Shaw Carpets 8½% Deb. 88/93 4.25pc.
Southern California Edison 59.5cts.
Spong Hldgs. 7% Cnv. Red. Pf. 3.5p
TR City of London Tst. 10¼% Deb. 2020 5.125pc.
Tate & Lyle 13½% Cnv. Uns. Ln. 94/99 6.75pc.
Television South 10% Sub. Cnv. Uns. Ln. 1997 5pc.
Triplevest 7.05p
Trusthouse Forte 6¼% 1st Mtg. Deb. 84/89 3.125pc.
Do. 6¼% 1st Mtg. Deb. 85/90 3.125pc.
Do. 7¼% 1st Mtg. Deb. 86/91 3.625pc.
Do. 10½% Mtg. Deb. 91/96 5.25pc.
Do. 9.1% Uns. Ln. 95/2000 4.55pc.
Varity Hldgs. 7½% Deb. 87/92 3.75pc.
Vaux Group 7% Pf. 2.45p
Do. 4½% A Pf. 1.575p
Do. 6½% A Pf. 4p
Waverley Cameron 6% Pf. 4.2p
West Yorkshire Independent Hosp. 3.75p
Westminster & County Props. 8% Uns. Ln. 89/94 4pc.
Westpool Inv. Tst. 5% Cnv. Uns. Ln. 89/94 2.5pc.
Whittingham (Wm.)(Hldgs.) 8% Uns. Ln. 92/97 4pc.
Woolworth Hldgs. 8½% Cnv. Uns. Ln. 2000 4.25pc.
Do. New 8½% Cnv. Uns. Ln. 2000 (TTD) 1.5365p
Do. New 8½% Cnv. Uns. Ln. 2000 (SDS) 0.6287p

SUNDAY MAY 1
DIVIDEND & INTEREST PAYMENTS-
Anglo American Industrial Corp. 5⅝% Pf. 5.625cts.
BET 4½% 2nd Deb. 2.25pc.
British Inv. Tst. 5¼% Pf. 1.8375p
British Shoe Corp. 6½% 3rd Pf. 2.275p
Ferranti 3.85% 3rd Pf. 1.925p
Genfinance NV 11.31% Ln 2007 (Reg) 5.655pc.
Do. 11.31% Ln 2007 (Br) 5.655pc.
Inslico 26cts.
King & Shaxson 5% Pf. 1.75p
Lewis (John) Props. 8¼% Mtg. Deb. 93/98 4.125pc.
Londonderry Port Harbour Comm. 3½% Cons. 1.75pc.
M & G Extra Yield Fd. 5.2p
Marshalls Halifax 10% Pf. 5p
Montreal (City of) 3% Perm. Deb. 1.5pc.
Newman Inds. 10% Pf. 5p
Do. 10¼% Pf. 5.125p
Nicor 47cts.
Norwich Corp. 3% Red. 1.5pc.
Nottingham Corp. 3% (Irrd) 1.5pc.
Parkland Textile 3.15% Pf. 1.575p
Pentos 4½% Pf. 1.575p
Plaignum 6% Pf. 1.05p
RPH 3½% Deb. 83/88 1.75pc.
Do. 6½% Deb. 83/88 3.25pc.
Reading Corp. 3½% 1975 1.75pc.
Reckitt & Colman 6¾% Deb. 85/90 3.375pc.
Scottish Agric. Sec. Corp. 3½% Deb. 83/88 1.75pc.
Do. 13% Deb. 97/99 6.5pc.
Scottish Inv. Tst. 3.5% Pfd. 1.75p
Do. 3.85% Pfd. 1.925p
Do. 4.55% 'A' Pf. 2.275p
Sheafbank Prop. Tst. 7½% Pf. 2.625p
Watney, Mann & Truman Hldgs. 5½% Uns. Ln. 2.75pc.
Do. 8¼% Uns. Ln. 4.0625pc.
Whitbread & Co. 4½% 1st Pf. 1.575p
Do. 6% 3rd Pf. 2.1p
Do. 7% 3rd Pf. 2.45p
Young & Co's Brewery 7¼% 1st Mtg. Deb. 86/91 3.625pc.

PARLIAMENTARY

TODAY
Commons: Completion of remaining stages of the Local Government Finance Bill. Motion on Local Government (Prescribed Expenditure) Regulations.
Lords: Employment Bill, third reading. Housing (Scotland) Bill, committee.
Select committee: Public Accounts: subject, investigation of fraud and smuggling. Witness: Mr J. B. Unwin, chairman of the board of Customs and Excise. (Room 16, 4.45 pm.)

TOMORROW
Commons: Finance Number Two Bill, second reading. Motion on the treaty on the elimination of intermediate and shorter range missiles (inspections) (privileges and immunities) order.
Lords: Court of Session Bill, report. Housing (Scotland) Bill, committee. Motions on Church of England orders.
Select committees: European legislation: subject, CAP price proposals. Witnesses: Mr John MacGregor, Agriculture Minister, and officials. (Room 15, 4.30 pm.)
Transport: subject, air traffic control safety. Witness: Civil Aviation Authority. (Room 17, 4.15 pm.)
Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am.)

WEDNESDAY
Commons: Debate on the Opposition motion Hardship caused by housing benefit changes. Lords amendments to the Licensing Bill. Private business after 7 pm.
Lords: Debate on the Government publication Public Health in England. Debates on BBC responsibilities under the Royal Charter and the licence agreement. Unstarred question on plans for foreshore development by means of private legislation.
Select committees: Defence: subject, major defence projects: third generation anti-tank guided weapon, battlefield artillery target engagement system, light attack helicopter, and 155 mm howitzer. Witness: Ministry of Defence. (Room 16, 10.50 am.)
Energy: subject, electricity privatisation. Witnesses: Professor Colin Robinson, Dr Dieter Helm, Mr Alex Henney, and Mr Andrew Holmes. (Room 8, 11 am.)
Employment: subject, urban development corporations. Witnesses: Construction Industry Training Board, Building Employers' Confederation and Union of Construction and Allied Trades. (Room 8, 4.15 pm.)
Home affairs: subject, broadcasting. Witness: Broadcasting Research Unit. (Room 15, 4.15 pm.)
Public accounts: subject, Government purchasing initiative. Witness: Mr J. Anson, second permanent secretary, Treasury. (Room 16, 4.15 pm.)
Transport: subject, airline competition (computer reservations). Witness: National Consumer Council. (Room 17, 4.15 pm.)
Environment: subject, Environment Department main estimates 1988-89. Witnesses: DoE officials. (Room 20, 4.30 pm.)
Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am.)

THURSDAY
Commons: Copyright, Designs and Patents Bill, second reading. Motion on the Summer Time Order.
Lords: British Rail Order Confirmation Bill, third reading. Housing (Scotland) Bill, committee. Merchant Shipping Bill, consideration of Commons amendments.
Select committee: Committee on a Private Bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 am.)

FRIDAY
Commons: Private members' bills.

Trade Fairs and Exhibitions: UK

Current
Top Drawer Summer Gift Exhibition (01-727 1929)(until April 26)
Kensington Exhibition Centre, London W8
London International Furniture Show – LIFS (01- 385 1200)(until April 28)
Earls Court

April 26-28
British Electronics Week (0799 26699)
Olympia

April 27-28
National Pig Fair (0473 43011)
Kenilworth

April 30- May 2
Photography Exhibition (01-222 8866)
NEC,Birmingham

May 8-10
British Craft Trade Fair (0283 867153)
Harrogate

May 10-12
International Chilled Food Fair (01-727 1929)
NEC,Birmingham

May 10-13
International Telecommunication and Information Technology Exhibition - COMMUNICATIONS (021-705 6707)
NEC, Birmingham

May 15
Antique and Collectors Fair (01-883 7061)
Alexandra Palace

May 15-19
Shopex International and Point of Sale at SHOPEX (01-868 4499)
Earls Court

May 24-27
Chelsea Flower Show (01-834 4333)
Royal Hospital

June 7-9
International Services and Equipment for Aircraft and Airport Operators Exhibition - AIRPORT (0202 304541)
NEC, Birmingham

June 12-15
Business to Business Exhibition (01-729 0677)
Business Design Centre, London

June 16-18
Personal Investment Marketing Show and Conference - PIMS (01-948 5166)
NEC, Birmingham

June 19-22
Royal Highland Show (031-333 2444)
Exhn & Trade Centre, Edinburgh

Overseas Exhibitions

April 26- May 2
International Machine Tool Show (01-439 0501) – SIMTOS
Seoul

May 3-6
International Vehicle Industry Suppliers Exhibition – SITEV
Geneva

May 6-12
International Construction & Material Exhibition - CONSTRUCT (01- 286 9999)
Shanghai

May 17-19
MONEY EUROPA 88: Europe - One Complete Market, the way ahead for financial services, exhibition and conference (0730 85711)
Brussels

May 18-26
International Spring Fair (Technical) - BNV (021- 454 3385)
Budapest

June 8-12
International Wine Exhibition - VINOVA (01-977 4551)
Vienna

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-642 7688)
Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406)
Hong Kong

June 25-July 1
Intrnational Chemical Fair - INCHEBA (01-378 7778)
Bratislava

Business and management conferences

April 25-26
Business Research International: Mortgage finance in the 1990's (01-637 4383)
Portman Hotel, London W1

April 26
CBI Conferences: Strategy for design (01-379 7400)
Centre Point,London

April 26-28
The Industrial Society: Industrial relations for senior managers (01-839 4300)
3 Carlton House Terrace, London SW3

April 26
Dun & Bradstreet: Understanding insolvency (01-631 3434)
Kingsley Hotel, London WC1

April 29
CBI Conferences/ The Economist: Europe Sans Frontières (01-379 7400)
Centre Point, London WC1

May 4-5
The Royal Institute of International Affairs (Chatham House): International capital flows and the future of financial markets (01-930 2233)
10 St James's Square, London SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

Company Notices

East Rand Gold and Uranium Company Limited

ergo

Second conversion period of 15.5 per cent unsecured convertible debentures 1988/1991

Holders of the above debentures are reminded that the *second and final* period during which the debentures can be converted (without any further payment other than the surrender of the debenture certificate) into S ordinary shares in the capital of the company is May 27 to June 24 1988. *If the rights to convert are not exercised during this period they shall lapse and be of no further force, effect or value.* The debentures not converted will be redeemed, subject to the provisions of The Debenture Trust Deed, in four annual instalments commencing on December 30 1988.

Forms of application for the conversion of the debentures have today been posted to the holders thereof at their registered addresses. Holders wishing to convert all or part of their debentures must complete the form and forward it to the company's transfer secretaries together with the relevant debenture certificate by not later than June 24 1988.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per A J S Sebba, Companies Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered Office
44 Main Street
Johannesburg 2001
(PO Box 61587
Marshalltown 2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
April 25 1988

Copies of this announcement are being posted to debenture holders at their registered addresses.

Province of Manitoba (Canada)
7% 1969/1989 UA 15,000,000

On April 11, 1988, Bonds for the amount of UA 964,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be redeemable coupon due June 17, 1989 attached, on and after June 17, 1988.

The drawn Bonds are those, not yet previously redeemed, included in the range beginning

at 3201 up to 6068 incl.

An amount of UA 36,000 has been presented for redemption at the option of the Bondholders and applied against the amortization quota due on June 17, 1988 pursuant to paragraph "Prepayment" of the Terms and Conditions of the Loan.

Amount unamortized: UA 1,000,000

Outstanding previously drawn Bonds:

112 to 117 incl.	160 to 162 incl.	205 and 206
243 to 249 incl.	289 and 290	306 and 307
334 to 336 incl.	338 and 339	342 to 345 incl.
832	866	879
1834 and 1835	1887 and 1888	1890 and 1891
1929 to 1933 incl.	1974	2491 to 2495 incl.
2608	2632	2642 to 2645 incl.
2842 to 2847 incl.	2930 to 2934 incl.	2943 to 2945 incl.
3147 and 3148	3155	3171
3177 and 3178	4280 to 4291 incl.	5011 to 5014 incl.
5027	7875	8175
8482	8497 to 8499 incl.	8659 and 8660
8699	9296	12964
14386		

Luxembourg, April 25, 1988

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

ROLINCO N.V.

Further to the announcement published in The Times and The Financial Times on 20 April 1988 concerning the Cash Dividend payable 29 April 1988 the rate of exchange for the payment of this dividend on both Rolinco N.V. Ordinary Shares of Fls.10 (at Fls.1.72) and Sub-Shares registered in the name of National Provincial Bank (Nominees) Limited (at Fls.0.172) is Fls.3.3285 = £1.

UNITED KINGDOM RESIDENTS

NON RESIDENTS OF THE UNITED KINGDOM

CNT

Caisse Nationale des Télécommunications
15,000,000,000 Japanese YEN
Floating Rate Notes due 1997

In accordance with the Conditions of the Notes, notice is hereby given that for the interest period from April 22, 1988 to October 24, 1988 the Notes will carry an interest rate of 4¾% per annum.

The interest payable on the relevant interest payment date October 24, 1988 against coupon nº 6 will be YEN 221,615 per Note.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

ROBECO N.V.

Further to the announcement published in The Times and The Financial Times on 20 April 1988 concerning the Cash Dividend payable 29 April 1988 the rate of exchange for the payment of this dividend on both Robeco N.V. Ordinary Shares of Fls.10 (at Fls.2.62) and Sub-Shares registered in the name of National Provincial Bank (Nominees) Limited (at Fls.0.262) is Fls.3.3285 = £1.

UNITED KINGDOM RESIDENTS

NON RESIDENTS OF THE UNITED KINGDOM

ELDERS (U.K.) PLC

Canadian Pacific Limited
(Incorporated in Canada)
Ontario & Quebec Railway Company
5 per cent Debenture Stock
5 per cent Guaranteed Stock

In preparation for the payment of the half yearly interest payable on June 1 next, the debenture stock transfer books will be closed at 3.30 p.m. on May 3 and will be re-opened on June 2.
The half-yearly interest on the guaranteed stock will be paid on June 1 to holders of record on May 3.

Deputy Secretary
Southside, 105 Victoria Street,
London, SW1E 6QT
April 25 1988

April 25, 1988

AUSTIN REED GROUP PLC

Notice is hereby given that the Register of Members will be CLOSED and the registration of transfers of ALL CLASSES of shares will be suspended from 1 June 1988 to 13 June 1988 both dates inclusive.

By Order of the Board
D E Perry
Secretary.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

			Price
4.42	3.76	Genting	4.20
3.2	2.69	Haw Par Bros	2.86
2.79	2.37	Hong Leong Fin	2.45
4.66	3.46	Inchcape Bhd	4.66
2.27	1.78	Keppel Corp	2.03
4.76	4	Malayan Banking	4.68
1.85	1.41	Malayan Utd Ind	1.63
0.45	0.35	Multi Purpose	0.44
7.1	6.25	OCBC	6.75
3.66	3.16	OUB	3.38
1.88	1.54	Public Bank	1.69
2.69	1.99	Sime Darby	2.69
11.6	9.1	Singapore Air	11.10
8	6.75	Singapore Press	7.55
3.4	3.02	Straits Trading	3.12
3.16	2.82	Tat Lee Bank	2.92
5.2	4.4	UOB	4.70

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices April 22

[illegible]

Sales	Stock	High	Low	Close	Chng
85639	Varity C	420	410	410	−10
3710	Viceroy R	$8	7⅞	8	
400	WIC B f	$11	10⅞	10⅞	
400	Wajax A	$12½	12½	12½	+½
12850	Wst Fraser	$19	18¾	19	+¼
11040	Wcoast T	$17⅞	17¾	17¾	
9900	Westmin	$11¼	11⅛	11¼	+⅛
16300	Weston	$35¼	34¾	35¼	+¼
1057	Woodwd A	$5¼	5⅛	5¼	+⅛
1800	Xerox Can	$19½	19¼	19½	+¼

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices April 22

Sales	Stock	High	Low	Close	Chng
29328	Bank Mont	$26½	26⅛	26¼	
2700	BombrdrA	$09⅞	09¾	09¾	−¼
63700	BombrdrB	$10	09¾	09¾	−¼
26000	CB Pak	$19½	18¼	18¼	+¾
11200	Cascades	$06½	06⅜	06⅜	−⅛
3880	ConBath	$16¾	16⅛	16⅛	−⅝
4110	DomTxtA	$16¾	16½	16½	−⅛
1825	MntTrst	$14¼	14¼	14¼	
60855	NatBk Cda	$10	09¾	09⅞	
18027	Noverco	$11½	11¼	11½	+⅛
47140	Power Corp	$13½	13⅛	13¼	−¼
31700	Provigo	$10⅛	09⅞	10	
36947	Royal Bank	$27¾	27½	27½	−¼
1085	SteinbrgA	$41¼	40¾	40¾	−¾
4824	Videotron	$09¾	09⅝	09⅝	

Total Sales 5,481,405 shares

OVER-THE-COUNTER
Nasdaq national market, closing prices, April 22

Continued from Page 37

[illegible]

INDICES

CANADA

TORONTO	Apr. 22	Apr. 21	Apr. 20	Apr. 19	1988 High	1988 Low
Metals & Minerals	2818.6	2802.1	2827.8	2877.5	2877.5 (19/4)	2238.7 (8/2)
Composite	3333.0	3329.7	3345.4	3373.7	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1634.11	1627.60	1635.04	1655.50	1681.54 (12/4)	1385.06 (27/1)

NEW YORK — DOW JONES

	Apr. 22	Apr. 21	Apr. 20	Apr. 19	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2015.09	1987.40	1985.41	1999.50	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.87	88.68	88.72	88.91	91.25 (3/3)	86.12 (4/1)	—	
Transport	847.67	830.58	827.36	836.47	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	169.87	167.67	167.26	168.74	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2029.01 (2030.50) Low 1985.58 (1968.00)

STANDARD AND POOR'S	Apr. 22	Apr. 21	Apr. 20	Apr. 19	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	260.14	256.42	256.12	257.92	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	302.92	298.66	298.33	300.50	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.21	21.86	21.88	21.95	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	147.03	145.24	145.13	146.17	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	298.03	296.71	297.72	299.92	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	374.04	373.20	374.24	376.86	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Apr. 1	Mar. 25	Mar. 18	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.53	3.35	2.86

	Apr. 20	Apr. 13	Apr. 6	year ago (approx.)
S & P Industrial div. yield	3.15	2.90	2.96	2.47
S & P P/E ratio	14.70	15.60	15.21	22.12

Closing prices, April 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	84	23¾	23¼	23⅜	−⅛
27	10½	AGS s			13	401	17¼	16⅞	17⅛	−⅛
10½	4⅞	AMCA				2	4⅝	4⅝	4⅝	−⅛
6⅝	3¼	AM Intl				547	4	3¾	3¾	−⅛
65½	26¾	AMR			11	2281	43⅜	42⅞	43⅜	+⅝
23¾	19	ANR pf 2.12		9.1		2	23¼	23¼	23¼	−⅛
12¼	6⅝	ARX			9	16	8⅝	8⅝	8⅝	
72⅞	40⅛	ASA	3	6.7		160	44⅞	44⅝	44¾	
22⅝	9½	AVX			15	310	17½	16⅞	17½	+¼
66⅝	40	AbtLab1.20		2.6	16	3795	46⅞	45⅞	46¼	+1
28	15⅝	Abitibi g 1				98	18	17¾	18	
16¾	8½	AcmeC .40		3.3		93	12⅝	12⅛	12⅛	−¼
10½	6¼	AcmeE.32b		4.7	19	22	7	6⅞	6⅞	−⅛
20	14⅛	AdaEx 3.05e		20.		94	15⅝	15⅜	15½	+⅛
19	6⅞	AdamMl.24		1.3	15	290	18⅝	18¼	18½	−¼
24⅞	7½	AMD				2511	13⅛	12⅝	13	+½
56¾	29¼	AMD pf	3	7.9		10	37¾	37⅜	37¾	+¼
11⅞	4⅝	Adobe			13	45	7⅝	7½	7⅝	
20¼	16¼	Adob pf 1.84		10.		1	17⅞	17⅞	17⅞	
21¾	17½	Adob pf 2.40		11.		23	21	20¾	21	+⅜
15	6⅛	Advest .12a		1.7	7	122	7¼	7⅛	7⅛	
64¼	42⅛	AetnLf 2.76		6.5	6	2111	42⅞	42½	42¾	+⅛
63½	41	AflPub .40		.7	33	181	58⅛	57⅜	58⅛	+⅜
23¾	13	Ahmans.88		6.3	7	1197	14	13¾	13⅞	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33½	20½	PetRs	3.18e	12.		14	25¾	25⅝	25⅝	
18	15	PetRs pf	1.57	9.5		4	16½	16½	16½	
76½	40	Pfizer	2	3.6	13	3077	55¾	54¾	55⅝	+⅝
56	23½	PhelpD	.80	1.4	6	1674	41¾	40½	41⅝	+1⅛
74	37	PhlpD pr	3	5.3		57	58	57	57	−¾
23⅝	16¾	PhilaEl	2.20	13.	8	4420	17⅞	17	17½	+½
45½	34	PhE pfA	3.80	10.		z100	36½	36½	36½	+⅛
87	69	PhE pfG	8.75	11.		z150	79	78½	78½	−1⅞
103½	85	PhE pfS	9.50	11.		z120	86	85½	86	−½
100⅝	93½	PhE pfT	9.87	10.		z9000	94⅛	94	94⅛	+⅛
13¼	11	PhE pfR	1.41	12.		46	11⅝	11⅝	11⅝	
12½	9⅞	PhE pfP	1.33	12.		38	11⅛	10⅞	11⅛	+¼
12¼	9¾	PhE pfO	1.28	11.		53	11¼	10¾	11⅛	
117	106⅛	PhE pfM	15.25	14.		z450	112	110½	112	+1½
93½	79	PhE pfK	9.50	11.		z720	87	86	87	+⅛
79¾	64	PhE pfJ	7.80	11.		z220	71	69½	71	+1
77	60	PhE pfI	7.75	11.		z50	70½	70½	70½	
16⅞	12⅞	PhilSub	.94	6.1	14	37	15½	15¼	15⅜	−⅛
124½	77⅞	PhilMr	3.60	4.1	11	7342	87⅞	85⅞	87	+1
23⅞	12½	Philpin	.44	2.2	13	329	20⅜	19⅝	20¼	+⅜
27⅜	12⅝	PhilGl	1.01e	6.7	7	361	15⅛	15	15⅛	−⅛
18¾	10	PhilPet	.60	3.5	290	7571	17½	17⅛	17⅜	+⅛
24¾	22⅜	PhlPt pf	1.75e	7.3		2	24	24	24	−⅛
28½	7½	PhlVH s	.28	2.6	5	41	11	10⅝	10⅞	+⅛
7¼	2⅝	Phlcorp				34	5⅛	5	5⅛	+⅛
26¼	17½	PiedNG	1.48	6.8	9	26	22⅛	21⅞	21⅞	−¼
14⅝	4¾	Pier 1	.08	.7	15	1477	11	10⅝	10¾	
8¾	5¼	PilgRg	.23e	3.2		127	7¼	7⅛	7¼	+⅛
12⅝	3⅝	PilgPr	.05	1.3		78	4¼	4⅛	4⅛	−¼
48⅞	28	Pilsbry	1.12	2.9	49	2303	39	38½	38⅞	+½
32⅝	26⅜	PinWst	2.80	10.	8	1240	27	26⅝	27	+¼
54⅞	22¾	PionrEl	.24r	.5		44	53⅛	52⅞	53⅛	+⅜
50¼	28⅝	PitnyBw	.92	2.1	16	581	42⅞	42⅛	42⅞	+¼

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59½	29¾	Sears	2	5.6	9					
43⅞	20½	SecPac	1.96	6.1	12					
88¾	40¾	SequaA	.15e	.2	1					
91½	42¾	SequaB	.12e	.2	1					
115½	66	Sequa pf	5	5.4						
30⅝	18	SvceCp	.40	1.9	1					
18⅝	2¼	SvcRes								
31½	20½	Shawmt	1.41e	5.5	1					
26¼	12¼	Shaklee	.80	4.1	1					
25¼	12⅝	Shawin	.65	3.3	1					
34⅛	12½	ShLeh	n.75e	4.2						
23⅞	11½	Shelby	.24	1.7	1					
98¼	57	ShellT	4.65e	5.9	1					
37¼	20⅛	Shrwin	.64	2.4	1					
18¾	6⅛	Showbt s	.28	3.1						
28	18	SierPac	1.76	8.0	1					
18¼	5	SgntAp								
70½	23	SgnAp pf	1.60	7.0						
38⅝	27¼	Signet	1.32	4.7	2					
59	28⅛	Singer			2					
42¼	21¾	Sngr pf	3.50	14.						
27¾	15⅛	Skyler	1.56	8.3	1					
18⅝	11⅛	Skyline	.48	3.3	1					
10⅞	4½	Smithln			8					
72¾	39¾	SmkB s	1.84	3.5	1					
60	39	Smucker	.68	1.8	1					
48½	24¼	SnapOn	.76	1.9	1					
10⅝	6½	Snyder	1.20	14.	3					
27¼	13⅝	Snydr pf	2.08	13.						
11⅞	4⅛	Solitron			9					
37¼	21¾	Sonat	2	7.1	1					
45	19⅝	SonyCp	.28e	.7						
30½	12¼	SooLin								
42¾	30	SourcC	3.50	9.5						
28⅝	25	SrcCp pf	2.40	9.3						
22½	16	SJerin	s1.30	7.5	1					

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10	Scottys	.52	3.6	18	144	14⅝	14½	14⅝	+⅛
13	5¼	ScdNA	n.07e	.7		129	10¾	10⅝	10⅝	−⅛
30½	12	SeaCnt	.25e	1.1	11	367	23¼	22⅝	22¾	−⅝
14¼	10½	SeaC pf	1.46	11.		3	13⅜	13¼	13⅜	+¼
17½	14	SeaC pfB	2.10	13.		9	16⅝	16⅜	16⅝	+⅛
17½	13¾	SeaC pfC	2.10	13.		10	16¾	16⅝	16¾	+⅛
58	37½	SeaC pfD	4.12	8.7		1	47½	47½	47½	+¼
82⅜	40	Seagrmt	.10	2.1	10	1362	52¾	50¾	52⅛	+1⅛
24⅛	12⅛	Seagul			16	115	13⅝	13	13	−⅝
50⅝	28½	SealAir	.56	1.3	16	170	44¾	44½	44½	−¼
39⅜	21¾	SealPw	1.20	3.3	15	405	36⅛	36	36⅛	+⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	9⅝	Tyler	.44	3.1	13	43	13	12¾	12¾	−¼
		U U U								
25¼	11¾	UDC	2.20	12.	5	65	18⅝	17⅞	18	
113	100	UDC pf				5	107	106	107	+1
30	21⅜	UGI	2.04	7.5	10	35	27⅜	27	27¼	
13⅜	4½	UNCInc	.01e	.1	15	349	10	9¾	10	
27⅜	15⅝	UNUM	.48	2.3	11	365	20⅝	20¼	20½	
45¼	28¼	USFG	2.64	8.6	6	3365	30⅞	29¾	30⅞	+1⅛
56¾	41¼	USFG pf	4.10	9.3		20	44¼	44⅛	44⅛	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅛	¾	Wortch				7	1	15-16	15-16	
17½	7	WyleL s	.28	3.1	16	455	9⅛	9	9	−⅛
30⅝	14½	Wynns	.60	3.1	41	30	19⅝	19½	19½	−⅛
		X Y Z								
65	50	Xerox	3	5.6	10	3744	53⅝	52⅝	53⅛	+¾
36¾	19⅛	XTRA	.64	2.0	16	55	32¼	31¾	31¾	−⅞
45¼	17½	Yorkin			14	186	43⅝	42⅝	43	+⅝
7¼	2¼	Zapata				370	3¼	3⅛	3¼	+⅛
37	13½	Zayre	.40	1.7	11	4009	24¼	23¼	23⅞	−¼
33⅝	10	ZenithE				1040	18½	17⅞	18⅜	+⅜
10⅛	10	Zenlo n				208	10⅛	10⅛	10⅛	+⅛
11⅝	1¾	ZenLab				379	2⅜	2¼	2⅜	
24	13½	ZenNtl	.80	3.9	18	366	20½	20¼	20½	+⅜
20⅜	11⅛	Zero	.36	2.8	14	100	13¾	13½	13¾	+⅜
30¾	15	Zumin s	.68	3.3	14	138	20⅝	20⅝	20⅝	−⅛
10⅝	7⅜	Zweig	1.34e	13.		666	10⅛	10	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices April 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

Nasdaq national market, closing prices, April 22

Stock	Sales (Hnds)	High	Low	Last	Chng

Continued on Page 35

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling marches merrily towards the quicksand

BY COLIN MILLHAM

STERLING IN recent weeks has either managed to shrug off bad economic data, or rise as the market takes the most optimistic view of figures.

Last week's UK bank lending figures for March were not received well by any market except the foreign exchanges.

A rise of £4.7bn in M3 bank lending, compared with £2.6bn in February, was well above City forecasts.

Gilts weakened and sterling interest rates rose, but the pound marched merrily up against the D-Mark to around DM3.16.

On dealer said that sterling's strength represented the "bigger fool" theory of trading. This suggests that the pound is worth buying because there is always a bigger fool to sell it on to at an even higher price.

As may be realised, this theory only works for a short time, as some sections of the market discovered when trying the same idea with the dollar back in 1985.

The US currency was then above DM3.00 and Y250, and has roughly halved in value in the last three years. Interest rate differentials supported the dollar in 1985, just as high sterling interest rates are keeping the pound strong now.

The problem comes when the market decides that interest rates are high because of problems with the economy, and that these problems now outweigh the advantages of the interest rate gap.

When this will happen to sterling is not clear, but City opinion points strongly towards a weakening of the pound. Futures markets, fail to provide much of a guide, because they reflect sterling's value against the dollar.

Eurodollar rates are slightly below the equivalent Eurosterling periods, and this is enough to create a technical position where the pound is lower in forward trading, but should not be regarded as a forecast of where sterling will be in three, six or even 12 months time.

For one thing, the market is not sure where the dollar will stand later this year, and therefore the key rate to watch will continue to the value of the pound against the D-Mark.

According to Lloyds Bank's world economic outlook, sterling will fall back to DM2.90 by the end of this year, and continue to slide to around DM2.54 by 1992.

In the short term the market will turn its attention to the UK trade figures for March, to be published on Friday.

City economists generally expect a modest improvement over the February visible deficit of £1.32bn, and the current account deficit of £720m.

Stockbroker, Phillips and Drew, believes the strength of sterling should have reduced the import bill. P and D expects a visible deficit of £1.2bn in March, and a current account shortfall to £600m.

Barclays de Zoete Wedd, and ANZ Merchant Bank, both expect the visible and current account deficits to narrow, to £1.1bn and £500m respectively.

Morgan Grenfell forecasts an improvement in the visible deficit to £1bn and in the current account shortfall to £400m.

There is a voice of caution however. Nomura Research Institute warns of the volatility inherent in the monthly figures, and suggests the current account deficit could be anywhere between £400m and £1bn. This leads Nomura to forecast a visible deficit of £1.5bn and a current account deficit of £900m.

£ IN NEW YORK

Apr 22	Close	Previous Close
£ Spot	1.8850-1.8860	1.8930-1.8940
1 month	0.17-0.15pm	0.16-0.14pm
3 months	0.45-0.43pm	0.41-0.38pm
12 months	1.70-1.60pm	1.48-1.38pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4309	+2.29	+0.89	±1.5344
Danish Krone	7.85212	7.97781	+1.60	+0.20	±1.5404
German D-Mark	2.05853	2.07725	+0.91	-0.49	±1.0981
French Franc	6.90403	7.05445	+2.18	+0.78	±1.3674
Dutch Guilder	2.31943	2.33040	+0.47	-0.93	±1.5012
Irish Punt	0.768411	0.777932	+1.24	-0.16	±1.6684
Italian Lira	1483.58	1544.11	+4.09	+3.24	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
114	639	—	1	—
116	444	—	6	—
118	256	—	18	—
120	125	—	51	—
122	34	—	160	—
124	9	—	335	—
126	2	—	528	—

Estimated volume total, Calls 5036 Puts 3597
Previous day's open int. Calls 32470 Puts 29407

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	646	654	2	54
84	454	504	10	124
86	305	346	25	202
88	139	237	59	257
90	43	143	163	363
92	15	103	335	523
94	6	41	526	661

Estimated volume total, Calls 5 Puts 25
Previous day's open int. Calls 3122 Puts 1333

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
16000	1670	1694	0	24
16500	1170	1241	0	71
17000	670	844	0	174
17500	170	524	0	354
18000	0	295	330	625
18500	0	149	830	979
19000	0	67	1330	1397

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 85 Puts 159

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
175	1390	1390	0	3
180	890	890	2	24
185	418	476	39	111
190	112	194	233	329
195	13	57	634	692
200	1	11	1122	1146
205	—	—	—	—

Estimated volume total, Calls 20 Puts 0
Previous day's open int. Calls 840 Puts 191

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

LONDON SE £/$ OPTIONS

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FORWARD RATES AGAINST STERLING

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

BASE LENDING RATES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 21,846

A=Ask B=Bid C=Call P=Put

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKETS

Lending figures end rate speculation

AFTER WAITING for the figures on UK bank lending last week, dealers on the London money market decided they did not like what they saw. They decided that if the Government was serious in its fight against inflation UK bank base rates could not be cut.

In the early part of the week interest rates drifted lower, as sterling moved higher, with three-month interbank falling to 7⅞-7⅞ p.c.

There were some very large day-to-day credit shortages in the market, giving the Bank of England ample opportunity to signal its attitude to interest rates.

UK clearing bank base lending rate
8 per cent
from April 11

The market was reluctant to sell bills outright, before release of the banking figures, in the hope that the authorities would cut official dealing rates, as a sign to the banks to cut base rates.

The terms of the repurchase agreements offered to the market were unattractively long however, and could not be regarded as a green light from the Bank of England on rates.

The reason the authorities felt it important to deter any trend towards lower rates became clear on Thursday, when the bank lending figures for March showed a sharp, and disappointing jump.

Three-month interbank rose to 8⅝-8¾ p.c. on Friday, and discount houses became willing for the first time in the week to sell outright long dated band 4 bills.

When the houses are prepared to sell long bills at present intervention rates it indicates they do not see an early cut in interest rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr 22) 3 months US dollars		6 months US Dollars	
bid 7 1/16	offer 7 3/16	bid 7½	offer 7½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.34	Three year	7.83
Broker loan rate	7¾-8	Two month	5.63	Four year	8.09
Fed funds	6⅝-¾	Three month	5.99	Five year	8.24
Fed funds at intervention	-	Six month	6.53	Seven year	8.56
		One year	7.00	10-year	8.78
		Two year	7.62	30-year	9.01

Apr.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.15-3.25	3.25-3.35	3.30-3.40	3.30-3.45	3.35-3.50	4.50
Paris	7⅞-7⅞	7⅞-7⅞	7¾-8	8-8¼	8¼-8⅜	7.25

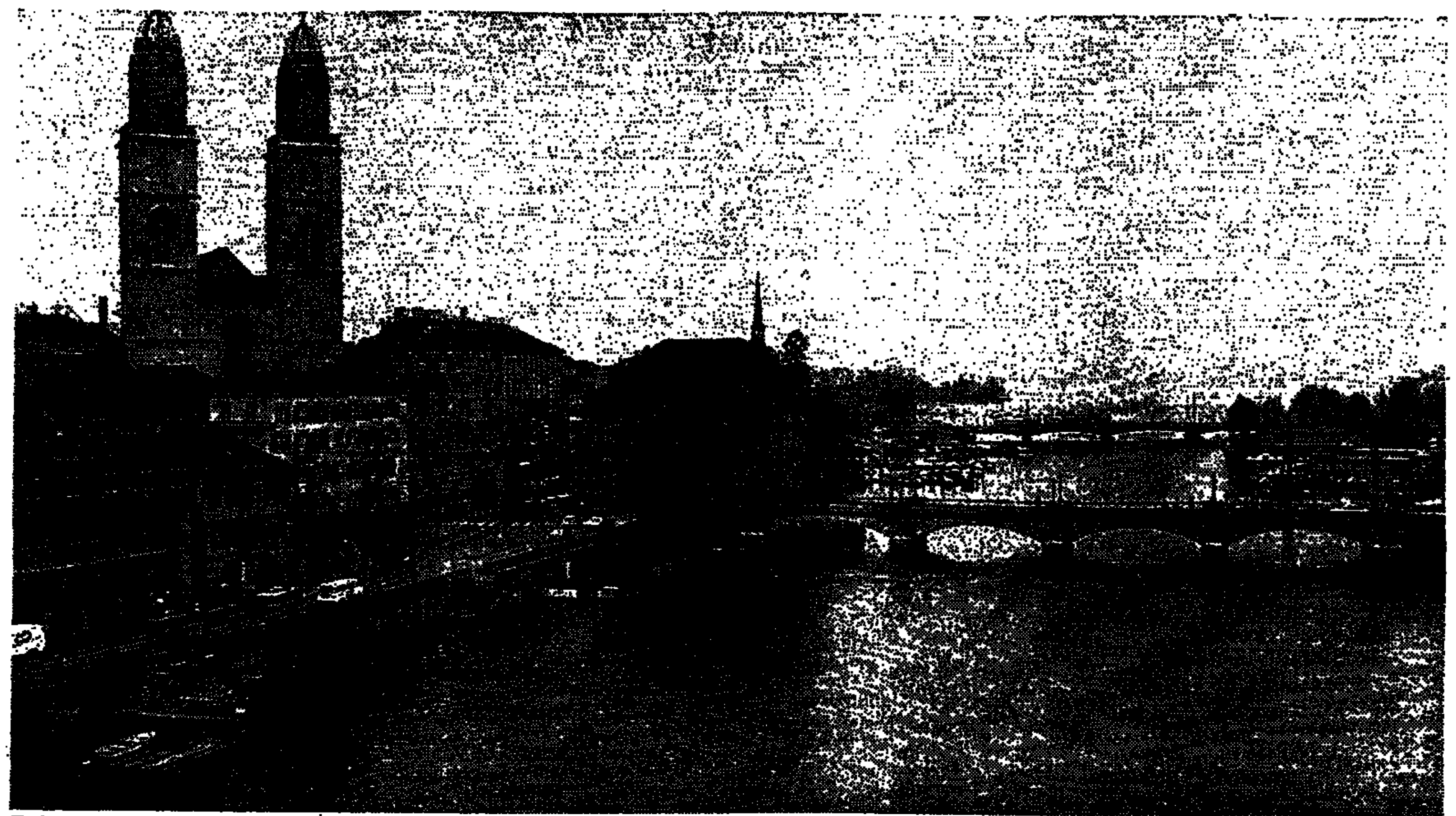
LONDON MONEY RATES

SECTION III

FINANCIAL TIMES SURVEY

The Swiss are concerned that their country may be isolated when the EC internal market comes into being in 1992. They also face the challenges of deciding future policies on nuclear power and their heavily-subsidised farmers. William Dullforce reports from Geneva.

Fears about an identity



Zurich: the River Limmat

Switzerland

CONTENTS

THE SWISS and Switzerland's famed political system have just started to grapple with two, if not three, of the most momentous issues they have ever had to face.

The first is the risk that the confederation will find itself politically and economically isolated within the encircling single market that the European Community intends to become by 1993.

The second is whether or not Switzerland should abandon nuclear energy; and the third raises the future of its heavily protected farmers.

These problems can be chewed over for years in the cantonal, communal, corporative digestive system of Swiss direct democracy before decisions emerge, probably from national referenda. They will certainly absorb much of the time of the new, two-chamber federal parliament, elected last October for a four-year term.

The election ensured that consensuses can be sought against a background of political stability. The four parties – Radicals, Christian Democrats, Swiss People's Party and Socialists – which had run the country in harness for the last three decades remained in control, despite small, though not insignificant, gains for Green groups espousing ecological causes.

Stability also characterises the economy. A slowdown had been foreseen this year – growth in Gross Domestic Product is forecast to be between 1 and 2 per cent. It comes at the end of a five-year recovery period and has so far featured surprisingly strong resistance from industry and a slight acceleration in the rate of inflation.

Real disposable incomes have continued to climb and the people with the West's highest per capita income are preparing to spend record sums on their summer holidays.

With no alarm bells yet ringing in the economy, political control at the top in safe, conservative hands, and doubt about the Community's ability to have the single market operative by 1993, the Swiss can afford to debate thoroughly their future relations with the EC.

The debate is already fairly intense. Politicians, industrialists and bankers make speeches and write articles. Seminars have been organised, not just by academics but by commercial and industrial associations. The French-speaking Swiss have been particularly active.

A special bureau has been set up in the Federal administration in Bern to coordinate planning and relations with Brussels. Parliament has decreed that any Bill or amendment to legislation presented to it must be accompanied by a memorandum spelling out its conformity with EC practice – a kind of litmus test.

Why are the Swiss so worried? Is it thinkable that in creating an internal market of 320m people with free movement of goods, services and labour the 12 EC nations would force 6m Swiss at their centre into isolation in their Alpine fastness – a redoubt, moreover, which is the source of two mighty European rivers, the Rhone and the important Rhine waterway?

For the Swiss it is a question of identity. They perceive a real threat to their unique political structure and neutrality. It is the mesh between the two that gives national identity to a confederation of small cantonal states.

It is difficult for Swiss to envisage how their direct democracy, in which the power to take decisions rests with the people at communal and cantonal levels and through national referendums, can be made compatible with the increasing concentration of decision-making in Brussels inside the EC.

Swiss neutrality is about much more than staying out of wars. Since it was formally recognised by the European powers in the Treaty of Vienna in 1815, it has been the internal bond between Switzerland's three races, four language groups and two religions. The fear is that this unity would be fragmented inside a European Community in which foreign policies are increasingly coordinated.

Neutrality is also the foundation for the confederation's international role. It makes Geneva a site for resolving international conflicts and a credible home for the International Red Cross.

Two years ago the Swiss startled the world by voting in a proportion of three to one against joining the United Nations. Adhesion to the EC evokes similar reactions but also calls for even more agonising debate because of the crucial economic interests involved.

Switzerland takes about 70 per cent of its imports from the 12 members of the Community and markets more than half its exports to them. It is the second largest national customer for EC goods and the fourth largest exporter to the Community. The EC enjoys a not negligible annual surplus of SFr17bn ($12bn) in its trade with the Confederation.

Since 1972 Swiss business has benefited from the agreement on free trade in industrial goods between the EC and the European Free Trade Association (Efta), of which Switzerland is one of the six remaining members.

Efta – with headquarters in Geneva – is trying hard to negotiate with Brussels on harmonisation with the emerging EC internal market. In 1984 it secured from the 12 a declaration in favour of creating a "European economic space" of 350m consumers, embracing both organisations.

In practice its work lags, partly because the EC not unnaturally gives priority to establishing its internal market, and partly because of the sheer weight of the problems that emerge in harmonising legislation; fiscal and commercial standards, labour, transport and establishment rights.

Bern, like other Efta capitals, fears a situation in which decisions of vital importance to its industry, services and financial business are taken in Brussels without it being able to influence them. This fear has not been assuaged by Mr Willy de Clercq, the EC External Affairs Commissioner's, recent warning that Switzerland could not expect a "free ticket" of association.

Moreover, Switzerland has to take into account the possibility that other Efta countries, Norway and Sweden, will break ranks and apply for EC membership. The Swiss were particularly shaken when it became apparent last year that neighbouring Austria was seriously considering an application.

Geography imposes a special relationship between the Community and Switzerland. Historically, the Swiss cantons won important commercial advantages from their control of the Alpine passes and Swiss territory remains a crucial passage between Northern Europe and Italy.

Transport is a major source of discord between the Confederation and the Community. The imposition by Switzerland of a hefty tax three years ago for use of its road network angered European road hauliers and led to conflict with EC governments. Last year Switzerland waged a "truck war" with Italy.

The Swiss have still not given way to pressure, notably from Bonn, to adjust to EC standards of 40 tonnes overall weight and 11.5 tonnes axle weight for lorries. The Swiss limits are 28 tonnes and 10 tonnes.

Road traffic through the Swiss Alps has been increasing by 5 per cent a year on average for decades and raising an outcry against pollution of the valleys. The "root of the evil", local cantonal politicians claim, lies in EC transport and environmental policies.

Mr Leon Schlumpf, the former Federal Councillor responsible for transport, told fellow EC Ministers last year that Switzerland would not consider expanding its road network. Instead the Swiss want to build a new rail link and tunnel, to carry lorries on rail wagons.

Five alternatives were presented in February at costs varying from SFr9bn to more than SFr20bn, all requiring co-financing from EC states and some calling for adjustments to present European networks. The EC governments concerned had not been consulted at that stage.

If transport is taken as a typical example, Swiss-EC relations have some thorny passages ahead. Others can be foreseen on the fiscal and banking fronts, from EC moves to harmonise its internal tax structures and banking regulations that could impinge, for instance, on Swiss bank secrecy.

Domestically, the new parliament has a major problem on its hands in trying to sort out the country's energy policy, which has been definitively turned off course by the nuclear accident to the Chernobyl Soviet nuclear plant in 1986.

Swiss industry was one of the pioneers in developing techniques to exploit hydro-power resources, and also among the first to build up expertise in nuclear technology. The country's five nuclear power plants provide just under 40 per cent of its electricity needs.

Now after four national referenda in which the vote in favour of nuclear power steadily declined, the radioactivity that Chernobyl scattered across Swiss pastures and lakes appears to have brought a turning point.

Last month pro-nuclear members of parliament conceded defeat over the long-delayed plan to build a sixth nuclear power station. That project will now almost certainly be scrapped, although the lobby has no intention of abandoning the nuclear option.

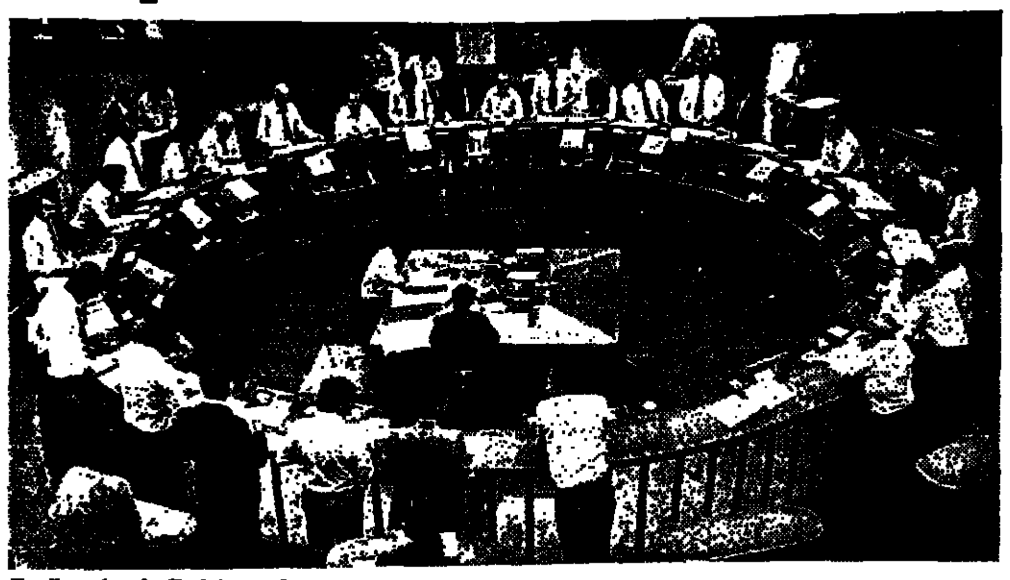
Rebellion against pollution from car and truck exhausts and the turn away from nuclear power are not sudden developments. They have been long in gestation but they signal a slow shift among the hard-headed Swiss towards reconciling their traditional, pragmatic, business-like approach with considerations about the quality of life.

Another shift, perhaps in the opposite direction, has begun to appear in attitudes to domestic agriculture. Swiss farmers are more heavily subsidised even than those of the EC. Arguments in favour of self-sufficiency in basic foods and of keeping the mountains populated have been generally accepted.

Continued on page 3

The stock exchange rally reveals some shortcomings

Exposed to foreign investors



Trading ring in Zurich stock exchange

THE RECENT history of the Swiss stock market records a 38 per cent plunge in the general index through the October crash to its nadir in November, and a debilitated low-volume languishing until well into January.

This was followed by a circumspect rally until the middle of April, boosted by a firmer dollar and some encouraging Swiss corporate reports, but the rally was focused on a relatively limited number of shares and marked by frequent profit-taking.

These developments - and in particular the crash – demonstrated the stock market's exaggerated exposure to foreign investors, raised serious questions about the distinction between registered and non-voting shares in corporate stock and highlighted shortcomings in the stock exchanges' quotation systems.

Initially after the October rout, the need for substantial reforms was widely discussed. Among the ideas mooted were: increasing the number of stocks continuously traded; reinforcing "stop trading" safeguards; improving co-ordination between the three big exchanges, Zurich, Geneva and Basle; and boosting market "transparency" for investors and brokers by publishing daily figures for trading volumes.

The question of whether the exchanges should have an overall supervisory authority was raised in the federal government and Swiss National Bank, and entertained for a while by the stock exchange authorities.

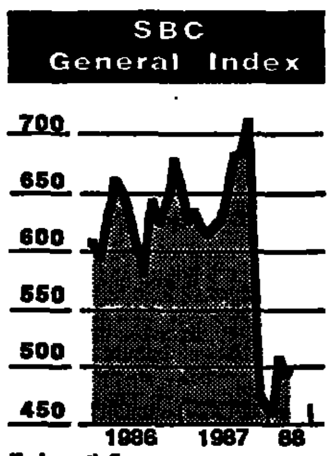
Modernisation of the Swiss exchanges, after a somewhat hesitating start compared with other international markets, was well under way before October with the introduction of computerised trading and new bourses in Geneva and Basle.

The tripartite bourse association and the big banks signalled their determination to maintain an up-to-date equities trading base, when they decided to establish Soffex, the completely computerised Swiss Options and Financial Futures Trading Exchange. After some delay, its opening is now set for May.

However, the impulse to faster reform which appeared to enliven the post-October discussions has so far failed to produce results.

This may be due to the innate conservatism of Swiss systems in which changes are thoroughly chewed over before they are allowed to emerge: the apparent absence of impact on the real economy of the October stock market crash may also have diminished the sense of urgency. Some critics fear the delay may be due to a wish among the big banks to preserve old, cartel practices.

In a percipient and unusually frank analysis, published under the title "The Swiss Paradox", Lombard Odier, the Geneva-based private bank, stated openly that market structures and trading procedures are the Achilles' heel of Swiss equities. In a market of such relatively modest size, foreign institutions exert excessive pressure on prices when they move in and out in a massive way, as they did in October.



One major advantage for foreign institutional investors in the Swiss market in October was that the settlement system worked reasonably smoothly and allowed them to raise cash quickly. This advantage was attenuated, however, by the bottlenecks that arose in executing orders.

Under the Swiss system, in which continuous trading has started recently in just 25 bearer shares and participation certificates, bid and ask prices are read only twice a day, providing very brief times for trading.

During the October crisis the second auction was dropped on some days, with the result that traders had literally seconds to deal, valid quotations became impossible and prices fluctuated violently from day to day. The provision to stop trading for 15 minutes when a price moved by more than 10 per cent was frequently overrun.

Suggestions for reform have centred on trading continuously most of the important stocks, including the registered shares as well as the non-voting paper available to foreigners.

Similarly, the anomaly on the Swiss market of the distinction between a company's bearer shares and non-voting stock available to foreigners and the registered shares, restricted to Swiss investors and even then registered only at the company's decision, persists.

This is a highly topical issue, because of the increasingly stringent application of the rules for registration by companies seeking to avoid takeovers. The resistance by Sulzer, the engineering group, to registering shares held by a group headed by Mr Tito Tettamanti, a Lugano-based financier, is a recent example.

Change here depends on the reform of the Swiss companies' law which is being leisurely handled by parliament.

Obligatory disclosure of wider information by Swiss companies is another matter dependent on amendments to the law. Go-ahead banks such as Lombard Odier and Bank Vontobel in Zurich argue that greater transparency in Swiss corporate reporting would help substantially in promoting the Swiss equities market.

Some companies – Sandoz, Schindler, Adia and Forbo immediately spring to mind – have recently made great strides in this respect. The advent of the European single market, even if Switzerland will not formally belong to it, must make the major Swiss corporations think seriously about bringing their reporting practices into line with those which will be applied in the Community. The big Swiss banks are currently among the worst sinners.

On another "transparency" issue, the daily reporting of trading volumes, an advance would seem to be imminent. A trade settlement system linking the three big bourses is about to be introduced and will provide the foundation for reporting volumes, initially, it is expected, for the major stocks.

William Dullforce

Banking

Black Monday casts shadow

SWISS BANKERS feel they could be in for a harder time of it in 1988. They took a knock when equity markets collapsed last October, losing money on their own securities holdings and on portfolios managed for their clients.

The subsequent seizing-up of stock-exchange transactions also meant a marked fall in commission income in the final quarter. As yet, things still have a long – and apparently slow – way to go to get back to pre-Black Monday levels.

As Mr Robert A. Jeker, chief executive officer of Credit Suisse, put it recently: "The brilliant results achieved in the banking industry in recent years were influenced by the continuing boom in the financial sector, where developments in some areas were no longer in tune with the real economy."

Warnings about the increased vulnerability of profits derived mainly from securities-related business had in most cases been dismissed as deliberately exaggerated pessimism, he added.

At the same time, economic growth is slowing down in Switzerland and in most other industrial countries. The continued weakness of the dollar is seen not only as a danger for Swiss exports but also as a possible herald of world recession. This would naturally affect bank business both off and on the balance sheet.

The Bundeshaus – the Parliament building in Berne. Liquidity rules were eased by the Government in January

The past year has seen further growth for the Swiss banking system, however. The balance-sheet total of 71 leading banks reporting to the Swiss national bank went up by 6.3 per cent to SFr682bn - and would have been higher by as much as 15.7 per cent but for the decline in the dollar.

Non-interest operations continued to flourish, at least until the fourth quarter, as indicated by the 7.8 per cent increase in net commission earnings of the Big Five.

There was, admittedly, a decline in the published net profits of the Big Five group as a whole. The fact that the three leaders – Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse - all showed an almost identical drop of some 3 per cent made many observers regard this as a form of strategic accountancy, though apart from these three banks and the fourth-ranking Swiss Volksbank (-0.7 per cent), most seem to have done better than in 1986.

Investors are still not very impressed, however. The index for listed bank shares at the end of March was more than a third below last October's peak. This is not very logical in that the banks are announcing unchanged or improved dividends, but the market remains chary.

This year appears to have got off to a rather better start. Domestic loan demand bids fair to develop in keeping with the continued high level of Swiss investment and private spending, foreign and domestic borrowers are queueing up on the bond market and overall securities trading activity in Zurich is back to above where it was a year ago.

At the same time, new opportunities are emerging. The most important of these arises from the likelihood of a long-awaited easing of capital market stamp duty. An official working party has made proposals to Mr Otto Stich, the Finance Minister, which would foresee the scrapping of duty on foreign borrowers' money market paper of up to 12 months' maturity, on the banks' own trading positions in shares and bonds, on the issue of foreign Swiss-Franc bonds and on so-called foreign-foreign transactions in bonds carried out via a Swiss bank.

These would all give a boost to Swiss banks' business, the first of them opening the way at long last for a real Swiss money market.

After several delays, the Swiss options and financial futures exchange (Soffex) now looks like starting operations in May – having recently been anticipated by the formation of Oz Zuerich Options and Futures for the issue of securitised, long-maturity option contracts.

As far as the traditionally-vexed question of banking secrecy is concerned, the Swiss Bankers' Association introduced a new "due care" good-conduct code last October. This is aimed primarily at obviating abuses of banking secrecy by proper identification of client funds.

The 1987 version is rather tighter than its predecessor, namely in respect of such intermediaries as lawyers and trustees.

One abuse of bank secrecy which has caused much embarrassment for Switzerland will soon be finally countered by the introduction of an anti-insider clause into the penal code.

Swiss banks are still not seriously concerned by the international debt situation. The bulk of Switzerland's capital exports traditionally has gone to Western industrialised countries - whose share rose further in 1987 to 90 per cent of the whole - and banks have been very conservative in the formation of provisions.

There have been no complaints at the Banking Commission's move to increase the minimum rate for sovereign-risk provisions against loans to 50 high-risk nations from 30 to 35 per cent. This could soon be raised to 40 per cent.

As far as liquidity rules are concerned, these were eased by the Government on January 1 so that banks now have only to show a cushion sufficient to meet commitment during a crisis until "other banks and, if necessary, the authorities" can set up an adequate support programme.

Generally speaking, then, there are no insuperable problems facing Swiss banking. However, earnings growth seems unlikely to return to recent rates in the near future, what with pressure on interest margins at home, a probable deceleration of the world economy and sluggish stock markets.

Expansion of operations will presumably by more rapid on the part of foreign subsidiaries and branches than in parent Swiss banks, dogged as these are by high costs and a chronic lack of space and manpower.

The major banks, always cautious, are being especially so in 1988. Dr Franz Galliker, the SBC chairman, told shareholders in Basle at the end of March that the bank – whose profits dropped in 1987 for the first time in eight years – would have to cut back its costs, while Dr Nikolaus Senn, now chairman of UBS, hinted something similar a few weeks earlier when he said that the bank's current budget "places extremely heavy demands on use under present conditions and may have to be reviewed in the course of the year."

John Wicks

Forecasters expect continued expansion of the country's prosperity, which is buttressed by Swiss foreign investment

Confidence as economy weathers external shocks

"STEADY AS she goes" is the current precept for the Swiss economy, which appears to have developed a remarkable capacity for weathering the shocks that external fluctuations and alarms inflict on small countries.

The rate of growth in Gross Domestic Product slowed from 2.7 per cent in 1986 to just over 2 per cent last year. All forecasters, assuming that a profound world recession will be avoided, predict a further slackening in the rate in 1988 and 1989, but expect a continued modest expansion of Switzerland's enviable economic prosperity.

This prospect reflects confidence in the underlying soundness of Swiss economic policy, based on fiscal rectitude and a monetary stance that has been sturdily anti-inflationary without being inflexible.

In business and industry an important element has been the readiness, after some hesitation in the early 1980s, to invest in modernisation and productivity improvements.

This propensity to invest, success in controlling inflation, a consensus on the value of work and thrift, and the impulse to save, distinguish Swiss economic practice.

There is also a crucial buttress to Swiss well-being: Swiss foreign investment, which last year helped to turn an SFr8.8bn deficit on trade in goods into a surplus of SFr10.4bn on the current account in the payments balance.

Causes for concern are found in the effect on exports of the appreciating Swiss franc, some acceleration in domestic inflation, and shortages in particular types of skilled labour. So far these difficulties have been manageable.

In the longer term, as the strength of domestic demand,

In the longer term, attention is bound to focus again on the international competitiveness of Swiss industry and banking

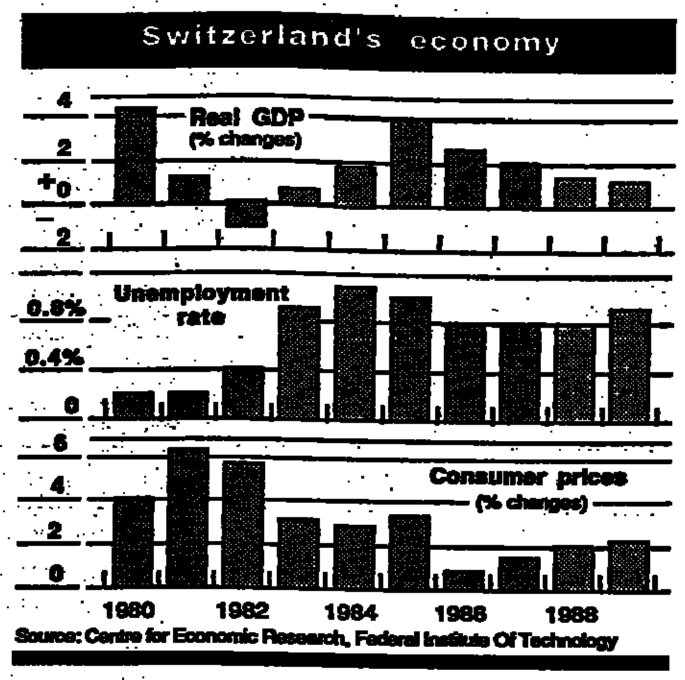
which has sustained growth in the past two years, peters out, attention is bound to focus more sharply again on the international competitiveness of Swiss industry – and of the banking sector.

As in many other countries after the stock market crash in October, Swiss commentators voiced warnings about the deleterious effects it was likely to have on consumption and investment. Liquidity problems were also foreseen in the financial sector.

In the outcome, the Swiss real economy appears not only so far to have shrugged off the collapse in stock market prices but to have reacted with greater resilience than other economies.

Domestic capital formation grew at an annual rate of 8 per cent in the last quarter, with spending on equipment showing a 14 per cent growth in real terms. Consumption increased by 2.2 per cent in the quarter against 1.6 per cent during 1987 as a whole.

Even exports, which increased by a sluggish 0.8 per cent over the year as a whole, were 8 per cent higher in the fourth quarter than in the last quarter of 1986. The order intake showed an unexpected upturn.



Source: Centre for Economic Research, Federal Institute Of Technology

This post-October development must be interpreted cautiously; quarterly performance figures fluctuated strongly in 1987. Nevertheless, the economic research department of the Union Bank of Switzerland reported that the business slowdown remained modest in the first three months of 1988.

Industry's order volumes, output and sales had fared better than expected. Capacity utilisation was just under 87 per cent. Most of the companies surveyed by UBS anticipated a decrease in their order backlogs this year, but earnings expectations remained high with only 19 per cent fearing a decline.

Slowdown is evident in current Swiss economic performance, but its surprising relative strength is highlighted by comparison with the West German, the major economy to which it is most closely tied by weight of trade.

Domestic demand, the mainspring of growth in both cases, has been much stronger in Switzerland, principally on the investment side. Last year overall capital formation grew by 6.7 per cent in Switzerland, against 1.7 per cent in West Germany. Spending on equipment climbed by 9.8 per cent in Switzerland, compared with Germany's 4 per cent.

Part of the explanation for the difference may lie in the continuing, somewhat delayed restructuring of Swiss industry. Combined with the recent improvement in company earnings, this drive for modernisation has been stimulating investment demand.

It has also been backed by a rather different monetary policy from West Germany's. The Swiss National Bank has been imposing tight money supply targets, but the result has been less restrictive than implied by the targets, partly because of a shift in the demand for money.

The target of 2 per cent set for the increase in the monetary base (cash in circulation and bank deposits with the SNB) for 1987 was exceeded by almost 1 per cent. The SNB loosened the reins to keep the Swiss franc exchange rate from appreciating against the Deutsche Mark and to ensure the liquidity of the banking system after the October crash.

Inflation has not accelerated as fast as the SNB feared, with the result that monetary policy has been stimulating real growth more strongly than expected. The underlying inflation rate, measured on consumer prices, is now close to 2 per cent, higher than during the last two years but still well below the OECD average.

The SNB has set a ceiling of 3 per cent growth in the monetary base for this year, while commenting that the outcome could be lower. The introduction of new liquidity requirements for the banks in January made forecasting difficult, but so far the banks' demand for liquidity with the SNB has been running at a level below that required to reach the 3 per cent ceiling.

Some flexibility thus appears to be available to the SNB in pursuing the twin aims of preventing the Swiss franc from appreciating against the D-Mark and holding down inflation.

If there is no sudden change in the international economic situation, it could well choose not to force the inflation rate below 2 per cent. Monetary policy would then be anti-recessionary and long-term interest rates would remain stable.

Fiscal policy for 1988 and 1989 is also likely to have a slightly expansionary effect. The declared objective is a balanced budget, but for the last two years the federal government, cantons and local communities have shown consolidated surpluses.

Agitation within industry against the inhibiting effect of the strong Swiss franc on exports has so far been far less pronounced than it was 10 years ago, when the SNB was forced to switch to an exchange rate policy.

Pressure could mount as domestic demand tapers off. However, for the time being most exporters appear to feel that they can cope at the present rates. Many have realised significant improvements in productivity in the last couple of years.

Moreover, in contrast with 1978 when the franc appreciated against all other currencies, it has so far remained roughly in line with the D-Mark and thus with the other currencies of the European Monetary System.

Switzerland's economy is pretty shipshape, but its economists remain wary about the external intemperancies it may run into.

The most recent forecasts from the economic research centre of the Federal Institute of Technology assume that the economic policies pursued by the major industrial countries will continue to be "judicious and co-ordinated."

William Dullforce


Worker making windows in a Lugano factory

Identity fears

Continued from page 1

In the past couple of years, however, voters rejected a proposal to increase domestic sugar beet output and Migros, the big cooperative retailing chain, has been orchestrating consumers' resistance to high food costs.

No fundamental change in attitude has yet been consumated but the softening in support for the farmers falls pat with current international moves to free trade in farm produce and to get rid of excessive subsidies to agriculture.

Three present areas of pre-occupation – relations with the EC, nuclear power and domestic farming – can be expected to have a profound effect on the outlook of the Swiss as they meet the challenges. But it should be remembered that through centuries of conflict in Europe they have been survivors – as Swiss.

Forecasts of demand for the year are very reserved, says **John Wicks**

Minimal growth in industry's output

ALL IN ALL, 1987 was hardly a dynamic year for Swiss industry. Overall output and turnover showed only minimal growth, while order books were thinner at the end of December by a good 5 per cent.

A sudden upswing in demand during the final quarter seems unlikely to have continued into the current year, forecasts for which are very reserved.

In fact, signals from the home front are definitely positive. Last year saw a further surge in domestic demand, particularly in the field of capital goods.

New orders from Swiss customers rose by 4 per cent during 1987 and the Government expects the home market to keep growing over the next few months at least.

The building market remains lively, there is still a substantial requirement for new plant and machinery and higher disposable income should keep private spending at a high level.

The situation is different in the export sector though, and exports are the backbone of Swiss industry. Despite the jump in the fourth quarter – with new orders from abroad up 6 per cent on a year ago and as much as 12 per cent over the previous three months – foreign customers ordered 2 per cent less last year than in 1986.

Actual merchandise exports, excluding precious stones and metals and works of art, rose by only 0.4 per cent. There has been an improvement on corresponding 1987 figures this year so far, but export growth still lags behind that of imports.

The main trouble once again has been the strength of the Swiss franc. On December 31, the Swiss National Bank's trade-weighted exchange-rate index reached an all-time high, having risen by more than 5 per cent in the course of the year. This resulted particularly from the dollar's slumping by more than one-fifth to below SFr1.28.

Thanks to the high added-value content of so many Swiss products, this did not give rise to a corresponding decline in foreign sales. However, despite low Swiss inflation there has been considerable pressure on profit margins – quite apart from the effect on companies' turnover and earnings in terms of Swiss francs.

During the first quarter of 1988 the currency problem has eased somewhat, with the dollar back up to about SFr1.40. It is far from being solved, though.

As the Swiss Association of Machinery Manufacturers warned recently, engineering – the biggest single industrial sector – will "doubtless be affected sooner or later by the revaluation of the Swiss franc and the worldwide trend towards lower investment activity."

The latest report by the Government's economic study group says much the same thing about the economy as a whole, drawing particular attention to the deceleration of growth within the OECD. Also, it points out that domestic investments are likely to increase less rapidly than in 1987.

Swiss companies also remain very much aware of their locational difficulties. Switzerland has close to the highest pay rates in the world, together with – and partly due to – a chronic shortage of manpower, especially skilled manpower.

This, along with the currency handicap and such factors as foreign protectionism and other countries' advantages in respect of export financing and export risk guarantees, poses increasing problems for the country's industrial sector.

The employers' association, Vorort, says: "Swiss companies will have to consider more closely whether they should move production capacities abroad in order to remain internationally competitive."

Indeed, Swiss industry has for many years been a net direct investor of an importance quite out of proportion to its modest size. One of the advantages of the strong Swiss franc is that it continues to enable companies to acquire firms and build new plants abroad – particularly in the US – relatively cheaply.

At the same time, Swiss industry has had to carry out a number of large-scale restructuring plans. These measures, which led to considerable closures and redundancies, affected first textiles, then watchmaking and chemicals – with the substantial parent-company rationalisation programmes of the Basle multinationals.

Machine-building is still sorting itself out, as witnessed clearly by the former Brown Boveri concern: the Swiss part of today's Asea-Brown Boveri group will have some 30 per cent fewer personnel at the end of next year than in 1982, and Dr Fritz Leutwiler, its chairman, recently warned that a further 3,000 jobs could be at risk if Switzerland builds no new nuclear power station by the end of the century.

Restructuring has certainly had positive effects on Swiss corporate results, the most striking example being the complete turnround of the Alusuisse group by extensive rationalisation in Switzerland and elsewhere.

Nor has it led to an unemployment problem. While industrial employment levels showed a slight decline over the past 12 months, the overall jobless rate is still below 1 per cent and most industrial employers questioned in the latest government survey were positive as to future trends. The greater problem is still that of too few employees in most sectors.

Nor is industry dogged by labour problems. The long-term "peace agreement" system recently celebrated its golden jubilee and stoppages are very rare. Indeed, there seem to have been no disputes at all in 1987.

Working hours are tending downwards, but the average shopfloor working week is still 43 hours. Real wages increased by a modest 1 per cent last year. With inflation averaging only 1.4 per cent in 1987, Swiss industry still has quite an edge to help offset the high national currency.

In the long term, prospects continue to look good for Swiss industry. A recent Vorort report shows that over 7 per cent of the overall turnover of 1,157 companies surveyed was spent on research and development in 1986, even excluding a substantial sum which went to foreign subsidiaries' R&D efforts.

The amount of R&D expenditure is a sign that Switzerland is set fair to keep up its high level of innovation. In the shorter term, however, there could be a certain stagnation.

Vorort itself points out that the business environment has become tougher for Swiss exporters.

A Union Bank of Switzerland study forecasts first-quarter output and new orders "only negligibly above the previous year's level" and says that only one-third of all industrial companies questioned expected better profits in 1988 than last year.

Chemicals

Profits held as dollar falls

IN SWITZERLAND'S largely export-oriented economy, the chemical industry is the one most dependent on outside markets.

An estimated 85-90 per cent of total Swiss production in this sector is sold abroad, while most of the leading companies' turnover is in any case accounted for by foreign subsidiaries. All the indicators point to further development by "multi-nationalisation."

The high international content of the industry's operations makes it difficult to determine its overall size and development, particularly in the light of fluctuating exchange rates. As far as actual ex-Switzerland business is concerned, exports rose by 2.2 per cent last year to SFr14.56bn – or by some 1.8 per cent in real terms, despite the disadvantage of the high Swiss Franc.

A more comprehensive picture is given by group turnover figures of the four major Basle concerns – Ciba-Geigy, Sandoz, Hoffmann-La Roche and Lonza. Combined consolidated sales rose very slightly in 1987 to just over SFr34bn, albeit thanks only to a 7 per cent increase on the part of Sandoz.

This apparent near-stagnation is a reflection of the currency situation, however. In terms of local currencies, for example, Ciba-Geigy sales were up by 9 per cent and those of Hoffman-La Roche by as much as 14 per cent, while the Swiss Franc turnover of each group dropped by 1 per cent.

Had it not been for the fall of the dollar, last year's results would thus have been quite good. Even as it was, corporate profits for the industry as a whole appear to have been held or slightly improved.

Any stabilisation of exchange rates in 1988 would soon show a positive effect in company reports, both by increasing export earnings and reducing translation losses. In fact, industry sources are already forecasting a "satisfactory" year.

The chemical companies certainly continue to play a key role in the Swiss economy, accounting as they do for 21.6 per cent of total export value and about 10 per cent of the industrial workforce.

They can also claim to be the technologically most sophisticated manufacturing sector: the degree of added value can be judged from the fact that the average kilo price for exported chemicals is nearly six times that for corresponding imports.

Another indication is given by the high level of research and development. A study published by the business association Vorort shows research and development expenditure by the industry within Switzerland of almost SFr2.2bn in 1986, or some 45 per cent of the private-enterprise total. Some 14 per cent of turnover currently goes on R&D.

For all that, Switzerland offers only limited expansion potential. The chemical industry is suffering at home from what Dr Christoph Blocher, chairman of EMS-Chemie, has called a "marked shortage of engineers, chemists and information technologists, but also of skilled workers." Swiss universities are still not turning out all the graduates the industry needs, while strict immigration regulations make it very hard to recruit foreign experts.

Environmental protection is also proving something of a problem, particularly following the fire at Sandoz' Schweizerhalle plant in late 1986 which led to massive pollution of the Rhine.

According to Dr Albert Bodmer, chief executive officer of Ciba-Geigy, about half of the SFr1.1bn-plus spent worldwide by Basle's Big Four on environmental protection and safety goes on Swiss installations. Ecological and demographic considerations have long meant that it is almost out of the question to build any new major chemical plant in Switzerland.

There is less talk these days of the industry actually pulling out of Switzerland. The highly-developed infrastructure and expertise forbid this, especially since manufacturing is a necessary adjunct to administration and research facilities.

Also, the constant development of production programmes will ensure a continuation of Swiss-based activities in the field of chemical and pharmaceutical specialities.

At the same time, the limits to Swiss growth and the unbroken strength of the national currency mean that expansion is taking place faster abroad than at home. Last year alone saw some 12 take-over or participation transactions by Swiss chemical companies abroad, as well as seven co-operation agreements with foreign companies, apart from large-scale investments in existing foreign subsidiaries.

This year got off to a shaky start, with Roche's failure to acquire Sterling Drug and Ciba-Geigy disappointed in its intention to buy the substantial US operation of Cooper Companies

Continued on page 5

Watchmaking and manufacture

Exports boost a record year

THE WHIRLWIND which by rights ought to have hit the Swiss watch industry has so far turned out to be no more than a stiff breeze. In spite of the crash of the dollar and of Wall Street and the continued weakness of the oil price, the Swiss industry notched up a record year in 1987.

Exports worth Sfr4.3bn improved upon those of 1986 by 1.6 per cent though the number of watches and movements sold abroad declined from 41.4m to 38.8m. Moreover, exports improved in the second half of the year, after a poor beginning, to bring about this good performance.

This year made a fair start. Until February total exports of watches, movements and components were 20.7 per cent higher than in the admittedly weak first two months of 1987.

But sales to the US did shrink by 11.8 per cent. Was that the beginning of the long-expected setback in what used to be the most important market, though it has now been overtaken by Hongkong, a great buyer of components?

Mr André Margot, President of the Federation of the Swiss Watchmaking Industry, thinks not. He says his representative in New York reports that things are going well again after a bout of de-stocking.

Mr Margot's explanation is that though the dollar and stock market are down, the domestic US economy is strong. But he adds ruefully that the Swiss position has had to be defended by shaving profits.

Just how far the process has gone is difficult to judge. An idea can be gleaned from an estimate made by Mr Nicolas Hayek, Chief Executive of SMH, the largest company in the Swiss watch industry. He says that SMH, in terms of Swiss currency, lost turnover of Sfr 100m-110m in 1987 as a result of the appreciation of the Swiss exchange rate against the dollar. But the figure was reduced to about Sfr 65m by currency hedging.

Pressure on the Swiss has been somewhat reduced by the fact that their most serious competitors, in Japan, have had much the same problem with their exchange rate. That has helped the Swiss to increase market share in an area where the Japanese have been especially strong: the medium-priced base metal watch.

In that category the Swiss world market share has climbed to about 20 per cent. In the class above they claim more than three quarters and the real luxury sector is dominated by them, and especially by a group of watchmakers in Geneva.

At the bottom end of the market, where Hongkong and other low-wage countries predominate, the Swiss, Mr Hayek estimates, have increased from no more than 1 per cent market share to 7-10 per cent, about the same as Japan.

That is, of course, largely due to the success of the modish watches in plastic cases, first and foremost the Swatch made by SMH. In 1987 Switzerland exported 16m plastic watches, with a total value of Sfr 340m. The increase over 1986 was only slight, compared with the furious growth rates of previous years.

But the Swatch and its technology are more than successes in themselves. They also have provided an important base for the comeback of SMH and the entire Swiss watchmaking industry after its slump in the 1970s and early 1980s.

The Swatch is selling in numbers great enough to justify a degree of automation in the manufacturing plant that goes as far as automatically setting the watch to the time in the time zone where it is to be sold. Automation requires a volume of 1m watches a year, Mr Margot estimates.

The key design element of the Swatch permitting automated production is the use of the case in place of a separate base plate upon which the movement is mounted. For the Swatch that was done with a plastic case.

The event of last year was the launch of a Tissot watch (in the medium-priced category) adapting the process to making a watch with a metal case.

But there is more spin-off from Swatch technology. The Swatch with its volume has helped to bring down the cost of making integrated circuits for SMH's top-grade products (below the luxury level). Mr Hayek says that costs thus saved have increased profit margins at Omega, once

A watchmaker at work

SMH's problem brand. Now, he says, it is doing well again.

SMH makes 60m integrated circuits (ICs) a year for its own use and for sale to Swiss and other clients. It also makes movements for sale. Last year that led to a head-on clash with the Japanese who were exporting movements at what Mr Hayek calls commodity prices.

SMH accepted that challenge, but doing so required a plant to assemble movements in Thailand. That looks like the harbinger of further restructuring in an industry that has reduced its labour force from 89,000 in 1970 to 33,000. Mr Margot says he fears a possible loss of depth of manufacture in Switzerland.

There are certain factors working in the opposite direction. By assembling abroad, a Swiss manufacturer loses the right to identify the finished watch as "Swiss Made." All other things being equal, Mr Margot estimates that that so-called Swiss label is worth a 10 per cent premium on the price of the watch.

The counterfeiting of the Swiss label, but also of the styling of watches particularly now that they have become fashion accessories as well as timepieces – has been a headache for the Swiss industry for a long time. Mr Margot's federation has a special section trying to eradicate the practice.

Mr Max Hool, the federation's secretary, estimates that some 10m counterfeit watches are produced every year, and that the law catches up with between a quarter and a third of those responsible. In South East Asia, one of the chief sources of counterfeit watches, more are being seized than ever before, Mr Hool says.

He praises the authorities in Hongkong, for instance, for being helpful. But they cannot move against exporters of "neutral" watches that have the fake brand or Swiss label put on elsewhere.

The practice seems to be especially common in the US. It has been punishable under US federal law since 1974 and, Mr Hool says, dozens of cases have been brought.

Ironically, even Switzerland itself does not afford total protection to styling as opposed to misuse of the Swiss label. Designs lose protection after 15 years, whereas the courts in France and West Germany are willing to give complete protection to what amounts to traditional styling of well-established brands.

In the light of the proposed completion of the internal market of the European Community by 1992, it is important for the Swiss that the Swiss label is protected within the EC by an agreement concluded between the Community and Berne. Since the matter of industrial standards already seems to have been settled to the satisfaction of the Swiss watch industry and since tariffs on Swiss-EC trade in industrial goods have been eliminated under a free trade agreement, Mr Margot seems to look forward with equanimity to 1992.

The general economic climate does not appear to have done serious damage to the makers of luxury watches. Exports of gold and platinum watches – not, of course, all in the luxury class – increased from 490,000 in 1986 to 508,000 last year, and those figures do not include watches sold to foreigners visiting Switzerland.

The established luxury makers themselves have taken account of market conditions by bringing in some lower-priced models. But that is a relative term. A top-quality jewelled watch can easily cost Sfr20,000 to 25,000. And if you want a real beauty, SFR 100,000 may not be enough.

W.L. Luetkens

Swiss engineers continue to be successful and highly-competitive exporters

Machinery exports level off

NOT THE yodeller, the banker, the hotelier nor the man who drills the holes in Swiss cheese is the backbone of the Swiss economy: it is the engineer, who has won for the Swiss machine building industry a commanding world position.

Swiss mechanical engineers are the world's seventh-largest exporters of machinery. In the technologically-exacting fields of machine tools and textile machinery they run neck and neck with the West Germans and Japanese, whose economies dwarf that of the Swiss.

In 1987 Swiss exports of machinery were valued at Sfr21.7 bn (about £8.7bn at present exchange rates) as against imports into what is an open market of Sfr15.3bn.

That picture of rude health needs to be qualified a little. The steep decline of the dollar against the Swiss currency put an end to a period of rapid expansion of the Swiss machine building industry, though an unexpected rush at the end of the year did ensure that orders in 1987 did not fall below the level of 1986.

This sort of performance can be explained only by some comparative advantages enjoyed by the Swiss. The chief of these are the skills and attitudes of the labour force; in the case of the machine building industry some 330,000 people. The Swiss system of industrial training (along with those in Germany and Austria) is the envy of the industrial world.

Labour is correspondingly expensive and unit/wage costs, at current exchange rates, are uncomfortably so by the standards of the closest competitors of the Swiss in West Germany.

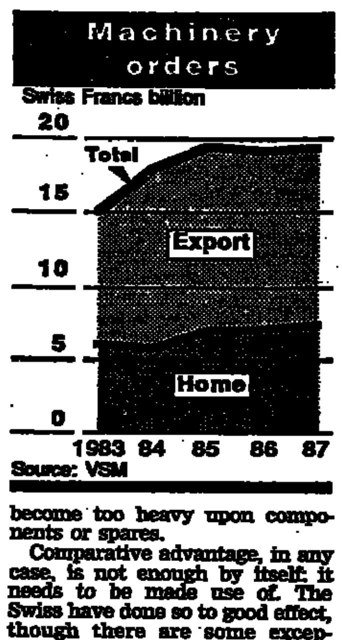
Industrial relations are rock solid. When the metal unions and employers agreed in 1983 gradually to phase in the 40-hour week, it was also agreed that the increased cost should be shared between labour (through wage restraint) and employers. German trade unions have already set their sights on a 35-hour week.

To all this there should be added the determination of so many Swiss managements to see the whole world as their market.

By comparison, the other main factors often cited to explain Swiss success are a good deal less weighty. Taxes are low, though not as low as they used to be. Political stability exists elsewhere, too, and low prevailing interest and inflation rates are the concomitant of seemingly regular increases of the exchange rate.

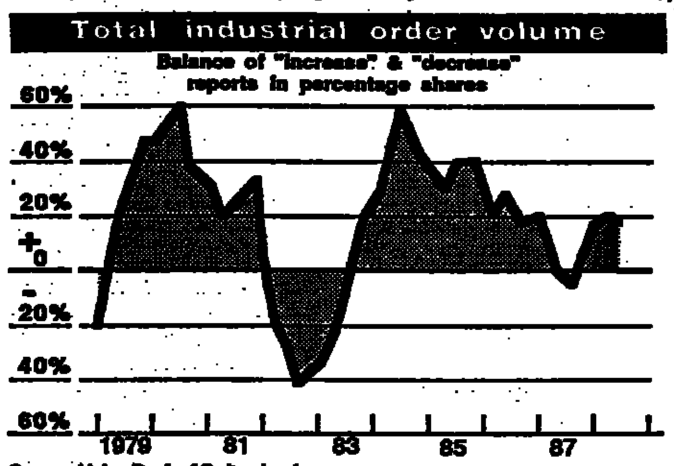
To this list one should add that it is easy to overestimate the narrowness of the Swiss domestic market. A free trade agreement with the Common Market has eliminated duties on machinery traded in both directions, though non-tariff obstacles remain, in particular those of red tape.

The Swiss are worried about the effect upon their exports of the completion of the EC internal common market expected in 1992. In spite of the free trade agreement, Herr Fritz Boesch, head of Feintool, a business in the machine tool sector, (which is the subject of a special article in this Survey), foresees that pressures to shift manufactures into the Community will increase, simply because of border formalities. Compared with the value of an entire machine they may be tolerable; but the burden may become too heavy upon components or spares.



Source: VSM

Comparative advantage, in any case, is not enough by itself: it needs to be made use of. The Swiss have done so to good effect, though there are some exceptions, especially among the bigger businesses. The most obvious instance is that of Brown Boveri, now merged into ABB with Asea of Sweden. Brown Boveri was heavily embroiled in one sector, the making of equipment to generate and transmit electric power. This market is stagnating worldwide.



Source: Union Bank of Switzerland

The Swiss end of ABB will have to shrink. The prospect that 2,500 jobs will be lost in the next two years, equivalent to 14 per cent of the concern's labour force in Switzerland, has caused an outcry in a country where market judgments are usually accepted stolidly.

Saurer, another of the big companies, also has had to shrink. It has retreated from making looms and concentrated on embroidery machines where it has a promising new technology.

The impression that all is not well among the bigger companies is reinforced by the struggle for mastery over Sulzer between management and a shareholders' group headed by Mr Tito Tettamanti, a financier, which Mr Tettamanti appeared to have lost only to emerge as majority shareholder at Saurer. Part of his Sulzer holding has gone to another financier, Mr Werner Rey, and his Omni holding company.

The Oerlikon-Buehrle group, another big concern, has suffered from falling sales, but has recently landed a very big fish – the sale to US and Canadian armed forces of the Adats anti-tank guided missile system.

But big companies are quite untypical of the Swiss machine industry; the average number on a pay roll is only about 130. This may explain the adaptability which has enabled the Swiss industry to play a disproportionately strong role in the world.

Of course, it must be added that if a small company gets into trouble, much less of a stir is caused than when the big ones are hurt. So, far from being a rag-taggle band of stick-in-the-muds, this highly-fragmented industry has so far at least kept pace in the international innovation race.

A recent study made by the Helvetic Technical Academy at Zurich classified machinery into six categories of which the three top groups qualified as hi-tech. The share of hi-tech machinery in Swiss exports was 35 per cent in 1985 as against an average of 28.5 per cent in the export of the six leading Western industrial countries.

In the lowest of the six classes, where the newly-industrialised countries are posing the greatest competitive challenge, Swiss involvement was 12.3 per cent, whereas the exports of the Big Six in this category were 20.6 per cent of their total machine exports.

The study gave good marks to the ability of the Swiss to make use of electronics, which can comprise up to half (but generally much less) of the cost of a machine. The Zurich academics approved of the decision not to go into the production of commodity chips, a cut-throat market.

They also thought that the fact that about half the electronic controls used in Swiss machine tools were imported was no disadvantage. This, too, is a cut-throat market.

Interpreted, this implies that the Swiss industry is involved neither in the the van of innovation nor in the highest risk areas.

As regards two of the main sectors of the Swiss industry, the academics are moderately encouraging or better. The machine tool industry, which exports some 90 per cent of output, will suffer from stagnating demand caused by worldwide uncertainties about the business outlook in general, but also by the ever-greater productivity of machine tools.

On the other hand, Swiss machine tool makers are largely oriented towards markets in West Germany, Italy and Japan. Prospects there look less uncertain than in North America. Besides, their exchange rates have not shared in the debacle of the dollar. However, because of that debacle the Japanese will redouble their efforts to penetrate the European market.

As regards textile machinery, the biggest sector of the Swiss industry, the Zurich study forecast stagnating demand until the 1990s and only average growth then. On the other side of the coin, textile machines have become so sophisticated that only the high-wage countries have remained seriously in the race.

W.L. Luetkens

Profile: Feintool

Commanding a strong world market share

MR FRITZ BOESCH is a boss who insists that the boss is not always right. Once a business reaches a certain size there has to be give and take, he says, otherwise the staff, and especially the executives, will lose their motivation.

And though Feintool, his company, is unlikely to be known except to specialists, it has indubitably reached a "certain size."

Feintool may employ fewer than 600 people worldwide but Mr Boesch, chairman and majority shareholder, says the company commands a world market share of about 60 per cent in its particular field – and most of the rest is also controlled by two or three Swiss companies.

Feintool's business is devising the process and making the machine tools needed for fine blanking. That is a method by which work pieces can be cut from flat metal up to 30mm thick to extreme tolerances and with a finish so clean that no further machining is needed to obtain fully smooth surfaces.

Workpieces can be shaped three-dimensionally, for instance by leaving raised studs on an otherwise flat surface. In more technical language; fineblanking is combined with forming, countersinking, broaching or bending.

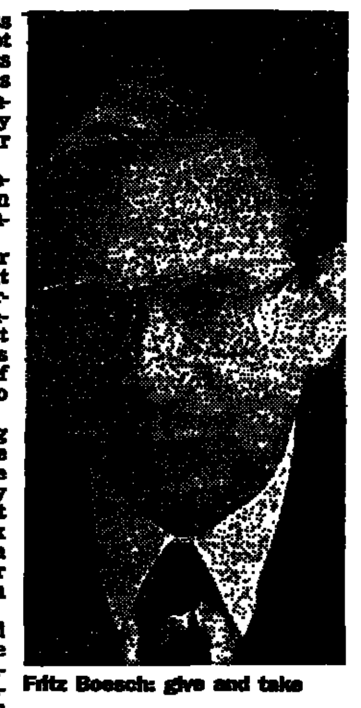
Every car made in the world, the Soviet Union included, incorporates some components cut on Feintool blanking equipment, Mr Boesch claims.

That may include bits and pieces such as the buckle of a safety harness or the parking pole used to immobilise a car with an automatic gearbox, but equally 50 or more parts in the innards of a car which the ordinary driver never thinks of.

The motor industry is the main customer. Feintool thus looks like a prize specimen of those legendary Swiss companies which have managed to make a virtue of smallnesss and have carved out for themselves a strong position in the world.

Mr Boesch founded the business in 1959 at the age of 25 with one partner and one other person on the staff, and with his own savings as capital. It meant working seven days a week, "more or less night and day."

"I was already married and we couldn't afford a thing for ourselves." But after about two


Fritz Boesch: give and take

years the venture looked sufficiently promising to qualify for a bank loan.

Those beginnings have grown into a worldwide group with production facilities in Switzerland, the US, Japan and West Germany and with net sales in the region of Sfr 117m (about £47m) a year.

To finance its rapid growth, Mr Boesch has taken in shareholders who seem to have been to a certain degree of his own choosing: there is no bourse listing. So he does remain the boss.

Unlike so many businesses of this nature, Feintool seems to have no problem with the eventual succession. Mr Boesch's son, aged 30, works in the outfit where he supervised the introduction of computer assisted design (CAD). There also are three daughters.

Mr Boesch says that a joint interest in sport has helped to keep the generations together. He rides a racing bike, skis, plays tennis and shares his daughters' love of horses. Sport three times a week is a firm part of his engagement diary. It shows in his physique.

Mr Boesch insists that what he produces is in the first place solutions to problems. The potential client is involved from the moment when he is designing the workpiece he need. Feintool then designs and makes the tool which does the actual blanking. Presses are provided by a Swiss and a German company.

The end product automatically feeds in blanks, shapes and cuts them. It can also change the tool automatically when a different workpiece is to be made on the same press.

The tool is the central part of the Feintool operation, yet designing and making it is not reserved for the company's Swiss plants. Affiliate companies in Japan and the US also make tools because, Mr Boesch says, only by that means do you keep close enough to the client. Some key specialists are sent out from Switzerland.

Shifting exchange rates also are a reason for producing abroad. The decline of the dollar was responsible for group turnover, expressed in Swiss currency, stagnating last year for the first time.

If the Swiss franc gets any stronger, might the US plant one day supply the European market? "That's a long way off," Mr Boesch says. "The plant at Lyss contributes about two thirds to group turnover, the US plant at Cincinnati, Ohio, about a fifth to a quarter. The rest is divided between the small German operation and the Japanese plant which was only commissioned in 1985.

The comparative advantage of manufacture in Switzerland, Mr Boesch says, lies in its political stability, good industrial climate, the work ethic and the highly-trained labour force. Because Feintool supplied individually tailored packages, Switzerland was the right place to be.

The group's balance sheet looks pretty healthy. Equity capital (share capital plus reserves) of Sfr 29.6m constitutes one third of the balance sheet total. For Switzerland, where balance sheets generally look strong, that is a good average, Mr Boesch says. Besides, it leaves out of account considerable hidden reserves, formed by undervaluing assets, as Swiss law permits.

W.L.L.

Chemicals profits held

Continued from page 4

in the field of contact-lens care. But new and important acquisitions are certainly on the way.

Further, the Swiss groups are building up foreign research facilities faster than those at headquarters. The Vorort report shows that by 1986 some SFr2.1bn was already being spent on chemical R & D abroad, or almost exactly the same as that in Switzerland.

Expansion abroad is not difficult for the big companies, which have large sums of money available and, here at least, can profit from the value of the Swiss franc. As it is, the top companies already have more fixed assets outside Switzerland than at home.

Things are less easy for the considerable number of medium-sized and small operators. As Dr Bernard Siegfried, managing director of the Siegfried concern, said recently: "The currency effect is more of an accounting question than anything else for the major companies with foreign production facilities."

For the highly export-oriented smaller firms, the strong Swiss franc was a serious handicap, he added.

The chemical industry as a whole seems relatively confident of its chances this year, however. A recent survey by Union Bank of Switzerland shows that the industry's export expectations for 1988 are "particularly positive" compared with other branches of the economy.

Among major product groups, pharmaceuticals appear to have a bright enough future and are relatively proof against recession: Swiss companies remain innovative and in the long term will benefit from their presence in the bio-technology sector.

The dyestuffs business is more sensitive to recessionary trends but has profited from the overall reduction of production and has been showing good growth in sales volumes, as have plastics and additives.

Agro-chemicals remain under something of a cloud owing to the unsatisfactory state of agriculture in major sales markets.

All in all, this year could prove at least as profitable as 1987. But despite a considerable improvement in share prices this year so far, the p/e ratio for the chemicals and pharmaceuticals industry is still running at under 13, compared with 18.7 at the pre-Black Monday peak.

John Wicks

SWITZERLAND 6

CHANGED tastes and an increased concern for the environment have led the Swiss tourist industry, the oldest in the world, into a phase of exiguous growth, not to say stagnation.

Fewer tourists than in the past want the traditional rambling and swimming summer holiday break of several weeks' duration in Switzerland or elsewhere.

More and more Swiss are protesting against actual and potential damage to their amenities from the construction of holiday chalets, ski lifts and the sheer number of people on the move.

Mr Helmut Klein, deputy director of the Swiss National Tourist Office in Zurich, forecasts that the number of overnight stays in Switzerland of tourists of all nationalities will grow only very slowly by between 0 and 2 per cent above the total of 75.1m registered in 1987. Of those, 35.1m came from abroad.

Some academics and others have gone as far as suggesting a moratorium on the expansion of tourist facilities in the main holiday areas, or even temporary closures of some resorts.

That is unlikely to happen quite so starkly, but the industry is close to its limits. The great chalet building boom has come to an end almost everywhere, and some communities already have re-zoned their territory to prevent further construction of such holiday homes.

Because most chalets stand empty for the greater part of the year, some resorts have earned themselves the unenviable description of "villages with closed window shutters."

One possibility is to promote the less-frequented areas, such as the Jura mountains near the French border. But, attractive though they are, they do not offer what tourists have expected from Switzerland for many decades: the peaks, glaciers and snows of the Bernese Oberland, the Engadine or the Valais, the lakes at the foot of the high mountain ranges, or the Italianate charm combined with Swiss efficiency of the Ticino.

Gruyeres near Lake Geneva

Tourism

Holiday facilities near their limits

The National Tourist Office has recognised these constraints, saying that quality must come before quantity. This means that instead of more guests, Switzerland needs more generous spenders.

Not that the Swiss have much to complain of on the latter point. In 1986 hotel guests from abroad spent an average of Sfr191 (about £76 at today's exchange rate) a day on board, lodging and incidentals. That is high by comparison with expenditure patterns in similar tourist countries.

But the prospect of stagnation in the industry as a whole bodes ill for many smaller or less up to date hotels. The average hotel occupancy rate over the year is only 40 per cent, after allowing for the seasonal closures inevitable in an Alpine country. Many hotels are not earning enough *money to pay for renovation* when it is due.

Mr Klein concedes that the number of hotel beds will decline below the present 277,000. The Swiss Government has tried to help by increasing from Sfr 72m to Sfr 152m a revolving fund designed to extend subsidised credit for the renovation of existing hotels. The sum is not great, but then such subsidies rarely are in Switzerland (except to agriculture).

But renovation alone will not solve the problems of many hotels in the one to three star categories which constitute three quarters of the industry. Prof. *Claude Kaspar*, head of the Institute for Tourism at St Gallen, says that the challenge is to cope with a change of fashion. Today's holidaymaker is looking increasingly *for novel experiences* instead of simple recreation.

The kind of novel experience Prof. Kaspar has in mind may include things as gentle as attending courses in the cookery of the host country. He cites the initiative of some innkeepers who themselves led organised excursions when the snows failed to come for the skiers last winter and by this simple initiative prevented guests from packing up summarily.

If the weather fails, as it always may in a mountainous country, country hotel keepers could do more to introduce their guests to the alternative attractions of many Swiss towns. There are better art galleries than is generally known, and for the fashionably nostalgic there are plenty of romantic corners in the *towns.*

In the shorter run, the central question concerns the exchange rate of the dollar. The National Tourist Office, fearing that the sickness of the dollar would deter many American tourists from visiting hard currency Switzerland, launched a publicity campaign in the US early this year.

First impressions suggest that the danger may have been less great than feared. Travel agents in the US report bookings above the level of those a year ago, Mr Klein says. And the price for flying the Atlantic – an important element in the costs of an American visiting Europe – is no higher than it was a year ago.

Even if you take all that with a pinch of salt, Mr Klein adds, there are indications that 1988 will be a good year. He even uses the word "boom" in assessing prospects for American tourist business in Europe this year.

From 1986 to 1987 the number *of overnight stays by US visitors* in Swiss hotels grew from 2.1m to 2.3m. That puts the Americans ahead of all other national contingents except the West Germans with 6.5m overnight stays and the Swiss themselves with 15.7 m overnight stays in 1987.

The latter figure may not seem especially surprising. But in Prof. Kaspar's view the fact that the Swiss do take a lot of holidays in their own country is an important stabiliser for the Swiss tourist industry. Moreover, he says, the dollar debacle is temporary.

Mr Klein says the figures for *tourist* visits from Britain are a bit of a puzzle because they do not seem to fluctuate with the sterling rate. The pound was strong most of last year, yet the number of overnight stays by British tourists' declined to 2.7m from 2.9m in 1986.

The figures, unlike those given *above for the US, include not* only hotel guests but visitors who stayed in other accommodation such as chalets and at camping sites. On this basis the British were the third largest national contingent, behind the Germans and Dutch, and the Swiss themselves.

Taking hotel guests only – and they are the bigger spenders – the British rank third among the foreigners, behind German and American visitors.

Given last year's experience, Mr Klein does not expect the advance of the pound during March to bring more British visitors flocking to his country. But he does point out that in a 20-year period during which the pound dropped from a rate of about Sfr12 to Sfr2.50, the British remained faithful to Switzerland which they, more than any others, discovered as a tourist destination.

It is hard to overestimate the importance of the tourist industry to the Swiss. Income from foreign tourists and other visitors came to Sfr 9.7bn in 1986, equal to 8 per cent of the country's entire income on the current account of the balance of payments.

And though the Swiss themselves are great travellers, their expenditure of Sfr7.5bn on foreign travel fell well below their income from that source.

But that is not the whole story. Income from tourists, foreign and Swiss, *has kept visible* many a mountain valley that might otherwise have been deserted by the younger population.

That is why the ecological dilemma is so poignant. Many mountain folk know that more tourists will bring more income in the short run, but in the long run will ruin an industry upon which the mountain regions so largely depend.

W.L. Luetkens

The country is split over energy policy

Tense nuclear debate

THE SWISS have got themselves tied in knots over their energy policy. Pragmatic as they are, they will no doubt eventually disentangle themselves *and find* a sensible compromise; but the argument over nuclear energy will continue for some time to be *one of the confederation's* hottest political issues. It will certainly take one or more national referendums to resolve it.

Switzerland has five nuclear power stations which furnished 21.7bn kilowatt/hours of electricity, or 37 per cent of total output, last year. In winter they provide about half the national consumption of electricity.

For close on 20 years a strident political battle has been waged over the construction of a sixth nuclear plant at Kaiseraugst, near the city of Basle. Kaiseraugst became the banner and the *rallying cry of the Green movement* in Switzerland.

A local opposition movement, ecologists and other anti-nuclear groups succeeded in delaying the project, although the Federal Council (government) did finally steel itself to give the go-ahead for site construction.

The resurgence of *anti-nuclear* sentiment following the accident to the Soviet reactor at Chernobyl in April 1986, however, made it more and more evident that the Kaiseraugst project was doomed, and that the future of nuclear power in Switzerland was at serious risk.

Under pressure, the Federal Council appointed a group of experts (EGES) to examine the possibilities and consequences up to *the year 2025* of policies based on expanding nuclear power, holding it at its present level, or abandoning it. A summary of EGES's findings was released in February. All three of its projections call for increased taxes on energy.

At the beginning of March, *three members of parliament* from the three pro-nuclear bourgeois parties, which share power with the anti-nuclear Socialists on the Federal Council, contrived a brilliant political coup, kept secret until put into execution.

They proposed that Kaiseraugst be abandoned. But they *made it clear that their operation* was only a lancing of that particular boil. They want nuclear plants built on other sites. And they suggested that the private consortium behind Kaiseraugst be compensated for the SFr1.2bn it had already spent on the project.

The proposal will be debated by the two chambers of parliament later this year, but it is already apparent that with backing *from the three government* parties that hold a majority it will be accepted.

Financing the compensation to the Kaiseraugst consortium will be a more contentious matter. Mr Otto Stich, the Socialist Finance Minister, has already dismissed payments from the federal budget.

Elated by their victory over Kaiseraugst and by no means duped by the change of tactic on the pro-nuclear side, the Greens have already demanded the abandonment of the other two nuclear power projects in the planning stage.

The Greens are by no means duped by the change of tactic on the nuclear side

Political attention will first focus on the report from the EGES group. This is more likely *to delineate the lines of future* combat than to resolve the conflict. The federal energy commission has already divided into three almost equal factions over its proposals.

Switzerland's problem over electricity supplies was spelt out last year by the Union of Swiss Electricity Producers. Consumption has been increasing at an annual rate of just over 3 per cent during this decade.

Basing its calculations on future annual growth of only 2.5 per cent, the Union pointed out that demand for electricity would still rise from 41bn kwh a year in 1985 to 63.6bn kwh in the year 2005.

Taking into account contracts for imports of electricity from France, *the potential for greater* output of hydro-electric power and a doubling of thermal production, the Union concluded that Switzerland would still need to build two new nuclear plants of the size projected for Kaiseraugst to avoid shortages in 2005.

Experts claim that Switzerland *is not profligate in its use of elec*tricity. Consumption per person is 30 per cent lower than in West Germany and only a third of the US per capita. Moreover, demand is being boosted by the computerisation of both industry and services which is essential to keep the Swiss economy competitive.

The EGES experts commissioned by the Federal Council studied the possibilities of economising on the use of electricity, including technological developments in refrigeration, heating, ventilation and industrial usage.

In their scenario for a "moratorium" on nuclear energy – not strictly a moratorium, because it envisages maintaining nuclear output at its present level and replacing obsolescent plants – the EGES group postulated an average increase of only 0.5 per cent a year in electricity consumption by the year 2025.

A law prescribing *rational utilisation* would be promulgated in 1992, and a 10 per cent tax would be imposed on the use of energy, *to finance state subsidies for the* development of new, renewable energy sources.

A similar 10 per cent tax and substantially higher prices are included in the scenario under which nuclear power would be abandoned in 2025 after existing plants had been utilised to their age limits. This alternative assumes that it will be possible to reduce the electricity consumption forecast for 2025 under the present trend by 58 per cent. Total energy consumption would be 33 per cent lower.

In the third scenario a 4 per cent charge would be imposed on the use of energy, and estimated electricity demand in 2025 would be cut by 13 per cent. Nevertheless, the scenario calls for more *than a doubling of current* nuclear capacity to 6,200 megawatts.

As public opinion is currently balanced, this last scenario is almost certainly a non-starter politically. New factors, not foreseeable at present, would have to emerge to change people's attitudes.

The alternatives are to rely heavily on imports of electricity, mainly from France, to produce more from fossil fuels or to legislate to make possible the substantial savings in consumption envisaged in the other two scenarios.

For ecologists, the first is morally repugnant, because France's exports of electricity depend on nuclear plants. The second is lim*ited in scope, unless the pollution* generated by the combustion of fossil fuels can be sharply reduced.

In spite of the pro-nuclearists' renunciation of Kaiseraugst, the Swiss still have to take a very important political decision.

William Dullforce